FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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British budget in detail, Pages 12–23

NEWS SUMMARY

GENERAL

Police defuse Downing St bomb

Ukrainian anarchists were thought responsible for bombs sent to British Premier Margaret Thatcher's official residence, No 10 Downing Street, and to the U.S. Navy headquarters in London.

Scotland Yard explosives experts made the Downing Street bomb safe, and no-one was injured. The device sent to the U.S. Navy exploded while being opened by a senior petty officer. He suffered a minor burn and later returned to duty.

Earlier in the day the "Scottish National Liberation Army" had claimed responsibility for unspecified attacks in protest at steel plant closures in Scotland, indicating that there would be more action today.

But Scotland Yard links the bombs with others sent recently to the U.S. and Soviet embassies in London, and the offices there of Aeroflot, Intourist, and Soviet Weekly.

Zapu stays firm

Josiah Chinamano, acting leader of the Zapu Party during Joshua Nkomo's temporary exile, said it had no intention of withdrawing its five ministers from Zimbabwe's Government. Pressure on foreign press. Page 4

Honduras initiative

Honduras and the Dominican Republic are hoping to convene a summit of Central American governments with Mexico, Colombia, and Venezuela to work out a peace initiative.

Typist on trial

East German-born typist Ingeborg Benisch, 42, who worked for 12 years for the commander of a West German air base, went on trial in Munich for espionage.

Submarine netted

West German trawler fishing 15 miles south of Bornholm in the Baltic caught a Soviet or Polish submarine in its trawl and found itself surrounded by Eastern bloc warships. The submarine extricated itself, leaving the Germans with a damaged trawl.

Iceland election

Iceland is to have an election on April 23 after Monday night's dissolution of parliament.

Israeli chief named

Israel's Cabinet appointed Major General *Moshe Levi as chief of* staff to replace General Rafael Eitan, who retires next month.

Kampuchea accuses

Kampuchea said mortar bombs containing toxic chemicals were fired from across the Thai border, contaminating water and the environment.

Panama restriction

Panama Canal is to be barred to some deeper-draught vessels because low rainfall has lowered the water level.

Slave traffic

A women's association official in Yingshan, China, has been jailed for 18 months for kidnapping three girls and selling them to lonely bachelors for 1500 yuan ($760).

Briefly...

Turin council offered to resign after arrest of eight officials and three councillors for corruption.

Prisoner in Durham jail, England, was operated on after swallowing 14 bed springs after his girlfriend jilted him.

Rebecca West, British writer, died aged 90.

BUSINESS

American output up for third month

● U.S. INDUSTRIAL production increased for the third successive month in February, up by 0.3 per cent. The Federal Reserve Board revised December's improvement from 0.1 per cent to 0.2, and January's from 0.9 to 1.3. Page 5

● UK INDUSTRIAL production rose 0.2 per cent to 102.4 from December to January, but the index of manufacturing output was up 2.5 per cent between the months. Page 7

● STERLING rose 45 points to $1.5145, to DM 3.6175 (DM 3.5975), FFr 10.22 (FFr 10.135) and Y359.5 (Y358.5), but fell to SwFr 3.1075 (SwFr 3.115). Its Bank of England trade-weighted index improved from 79 to 79.4. Page 44

● DOLLAR rose to DM 2.387 (DM 2.3815) and FFr 6.75 (FFr 6.715), but eased to SwFr 2.051 (SwFr 2.0625) and Y237.25 (Y237.5). Its trade weighted index dropped from 120.2 to 119.9. Page 44

● GOLD closed $5 higher in London at $432.5, $6.5 higher in Frankfurt at $435.25, and $4.5 up in Zurich at $433. Page 41

● LONDON: FT Industrial Ordinary index improved by 7.8 to close at a record 673.6. Government Securities also moved up. Page 37, FT Share Information Service, Pages 42, 43

● WALL STREET: Dow Jones index closed 10.67 up at 1124.52 Page 37. Full share listings, Pages 38-40

● TOKYO: Nikkei Dow index closed 22.8 up at 8111.83. Stock Exchange index edged up 0.83 to 596.91. Pages 37, 40

● HONG KONG: Hang Seng index fell 7.86 to 1024.51. Pages 37, 40

● AUSTRALIAN all-share index eased 0.2 to 513.4. Pages 37, 40

● FRANKFURT: Commerzbank index slipped 3.5 to 844.5. Pages 37, 40

● FRANCE'S employers' federation, Patronat, worried by the state of the economy, says 1984 must be the Year of Enterprise – and there are signs the Socialist Government is listening. Page 24

● BUNDESBANK blames falling demand for West German exports as a major reason for the sharp fall in economic activity in the second half of 1982. Page 24

● BRITAIN is to give Egypt £64m ($97m) aid for its five-year development plan. Page 6

● JAPANESE private sector machinery orders fell 23.6 per cent in January to Y486bn ($22.05bn).

● LLOYD'S of London is investigating links between member firms and UK-based intermediary Transure with which U.S. insurance broker Marsh & McLennan is in dispute.

● AMERICAN General Corporation, the large Houston-based insurance company, is to invest $40m in Continental Airlines. The deal could leave American General with a 20 per cent interest in the airline.

● DE BEERS of South Africa reported that the slump in the diamond market cut earnings by 30 per cent to R427.6m ($392.8m). Page 30

● TEXAS General Petroleum filed for protection from creditors under the U.S. bankruptcy code.

● HAMBURG shipyard Howaldtswerke-Deutsche Werft plans to make at least 2,000 of its workers redundant.

● VAUXHALL, UK, motor workers at Ellesmere Port, Merseyside, voted against union advice to end the ban on the Spanish built S-car.

● NATIONAL WESTMINSTER, one of the UK's top four banks, reported 1982 profits 11 per cent down at £439m. ($664.9m) Page 25

Shares hit new high after British budget

Howe keeps tight targets but cuts taxes by £2.2bn

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

SIR GEOFFREY HOWE, Britain's Chancellor of the Exchequer, yesterday unveiled a budget which included tax cuts worth £2.24bn ($3.38bn) in a full year and yet still emphasised the tightness of his financial targets.

In his fifth budget as Chancellor, and perhaps his last before the next British general election, Sir Geoffrey showed that his flag remained securely nailed to the mast of monetary policies aimed at reducing inflation. He resisted calls from the main economic institutes to expand his borrowing target for 1983–84 and stuck to the tightest feasible figure of £8bn.

Even so, he was able to hand back tax cuts to industry and to individuals in a budget which on many calculations looks mildly reflationary.

The most important measures were an increase of 14 per cent in income tax thresholds and allowances, 8½ per cent more than was required to keep pace with inflation, and a further cut of ½ percentage point in the employers' national insurance surcharge to bring it to 1 per cent.

The raising of tax allowances by more than the inflation rate will be worth £1.49bn in a full year to Britain's 25m taxpayers (about £60 per head on average). The reduction of the surcharge will be worth £390m *in a full year to industry, while oth*er tax concessions including a 11 per cent rise in child benefit to £6.50, give back a further £375m in a full year. The full year total of all concessions is £2.24bn or £1.67bn in 1983-84.

These measures are in addition to the £1bn of tax cuts announced in Sir Geoffrey's autumn statement when the employers' insurance surcharge was reduced by a percentage point to 1½ per cent.

Sir Geoffrey has been able to combine his tight financial target with the appearance of "generosity" for four main reasons:

● The buoyancy of North Sea oil revenues – in a financial statement and budget report published yesterday, the Treasury raised its estimate of the tax take from oil to £8bn, £500m more than its November estimate. Even in a falling market, this figure would be regarded as quite cautious by many British financial commentators.

● The prospects of economic recovery – the Treasury is now predicting that UK output will grow by 2 per cent this year accelerating to an annual rate of 2½ per cent in the summer of 1984.

● Some clawback of increases in pensions and social security bene*fits achieved by advancing the date* for indexation from November to May, when the annual rate of inflation is expected to be at a low of 4 per cent compared with about 6 per cent in November. This clawback, which offsets an "over-generous" increase last year, could amount to as much as 3 per cent according to independent forecasts of the inflation rate.

● *Some accounting changes* – principally the reduction of the 1983–1984 contingency reserve from £4.5bn to £1.5bn between the time of the last budget and the February public spending White Paper.

This enabled the Government to increase public spending programmes while slightly reducing the overall total. Yesterday, Sir Geoffrey dipped further into the reserve to announce a further £238m worth of extra spending and concessions including the increase in the child allowance. After additional *provisions for BL*, the state motor group, the contingency reserve has been pared to only £1bn, a very small sum by past standards.

The Chancellor has, therefore, made some tight assumptions about his financial arithmetic for the next fiscal year, and he warned in his speech that if there was an unex*pected fall in the oil price he might* have to look at it again.

One important result of this budget's tax concessions is that it has reduced the scope for tax cuts next year in the Government's medium-term financial strategy.

The implied fiscal adjustment shown for 1984-85 is only £500m, down from the £2bn suggested in last year's budget projection. At *same time, the 1984-85 borrowing* target has been increased by £1½bn to £8bn, so the outlook has tightened by about £3bn altogether.

This partly reflects the continuing costs of this year's tax concessions.

The Treasury's latest economic forecast issued with the budget statement estimates that total domestic demand in the UK will rise by 3½ per cent in 1983, after a 2½ per cent increase in 1982.

MAIN POINTS

● **MONETARY AND FISCAL TARGETS:** public-sector borrowing requirement for 1983-84 will stay at planned £8bn. Monetary growth target for sterling M3 and PSL 2 set at 7 to 11 per cent. Annual inflation rate forecast for 6 *per cent by fourth quarter.*

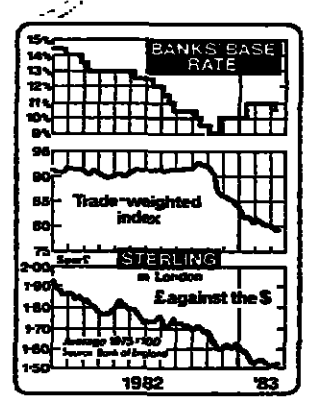
● **OIL TAXATION:** to encourage the development of new North Sea fields, spending incurred from yesterday in oil exploration is relieved from petroleum revenue tax (PRT). For future fields, the oil allowance (output exempt from PRT) to be doubled and royalties will be abolished. Advance PRT to drop from 20 per cent to 15 per cent from July 1 and be phased out by 1987.

● **AID TO INDUSTRY:** employer's national insurance surcharge cut from 1½ to 1 per cent from August. Corporate tax rate for smaller companies cut to 38 per cent. Aid and incentives for small businesses and new ventures.

● **INCOME AND CAPITAL TAXATION:** personal income tax allowances increased by 14 per cent. Limit of relief on mortgage repayments up by £5,000 to £30,000. Threshold and rate bands for capital transfer tax raised in line with inflation; yearly exemption limited for individuals and trustees to rise to £5,300.

● **DUTY:** *rises of 25p on a bottle of spirits, 5p on a bottle of wine, 1p on a pint of beer or cider, 3p on a pack of 20 cigarettes (with similar increases on cigars), and 4p on a gallon of petrol.*

Chancellor's speech, Pages 12–14 ● How the budget affects industry and individuals, Pages 20, 21 ● Editorial comment, Page 22 ● Features Pages 22, 23 ● Reaction, comparative prices, Lex, Page 24 ● Market reaction, Page 37



Base rates reduced to 10½%

By Jeremy Stone in London

BRITAIN's leading commercial banks yesterday cut their base lending rates by ½ point to 10½ per cent to set the stage for Sir Geoffrey Howe's budget. This encouraged the London stock market to continue its advance even before the contents of the Chancellor's speech became officially known.

Sterling, meanwhile, held on to the gains which it made following the settlement reached on Monday by the Organisation of Petroleum Exporting Countries. Even the arrival of lower interest rates did not cause serious selling. Sterling rose 45 points against the dollar to close in London at $1.5145. Its effective exchange rate against the Bank of England's trade-weighted basket of currencies was 0.4 higher on the day at 79.4 (1975 = 100).

In New York, sterling closed at $1.51275.

The Bank of England, which only last Friday provided £750m of exceptional help to the banking system in order to prevent rates rising unnecessarily, was quick to "validate" the clearing banks' move. The central bank's bill dealing rates – which for weeks had been stuck on 11 per cent for all the maturities of bill in which the bank deals – were adjusted into line with the inter-bank market.

The bank is now dealing at rates which range from [illegible] for the ultra-short dated bills in Band 1 down *to [illegible] for the Band 4 Bills maturing* two to three months ahead.

John Moore writes: Share prices climbed to record highs as the budget statement proved to be in line with expectations and no worse than what had already been anticipated in numerous leaks. Ahead of the Chancellor's speech the FT Industrial Ordinary index, the barometer of the share price movements of 30 leading companies, was 7.2 points up at 673.0.

BNOC under pressure to cut oil price

BY RAY DAFTER AND RICHARD JOHNS IN LONDON

BRITISH National Oil Corporation (BNOC) is about to come under industry pressure to lower North Sea prices by at least $4 a barrel from the present official rate of $33.50.

The deal, which is likely to emerge early next week, could disrupt the package of measures agreed in London on Monday by the Organisation of Petroleum Exporting Countries (Opec).

North Sea oil producers and refiners were yesterday assessing the implications of the Opec pricing and production package. But it could be several days before BNOC, as the main trader of UK crude, begins negotiations with its suppliers and customers.

It is expected that early next week BNOC will recommend that a new price, possibly between $28.50 and $30 a barrel, replace the recommended $30.50 reference price backdated to February 1 still being considered by most North Sea companies.

In the House of Commons yesterday Mrs Margaret Thatcher, Britain's Prime Minister, said North Sea prices would have to follow market forces. The Opec agreement was not such a force, she added.

A pricing conflict between the UK and Nigeria – rival producers of light, high-grade oil – now seems inevitable. Nigeria has fixed a basic price of $30 a barrel as part of the Opec package. It wants its oil to remain cheaper than North Sea crude so that it can recapture sales. But some UK oil refiners argue, on the grounds of quality and transport costs, that North Sea crude should be up to $1 a barrel cheaper than Nigerian oil.

Opec ministers see this conflict as a potential threat to its hard-won agreement based on a production rate of 17.5m barrels a day (b/d) and a reference price for Saudi Arabian light crude of $29 a barrel.

Mexico yesterday brought its oil prices in line with the Opec and, in particular, Venezuelan prices. The rate for its lighter Isthmus variety has been lowered from $32.50 to $29 a barrel and its heavy Maya crude cut from $25 to $23 – giving $26 for the 50:50 blend which it sells to its customers.

Opec's co-ordination with Mexico, brought about mainly by Venezuela, is one of the main achievements of the protracted consultations. But Opec's attempt to defend the $29 reference can only be weakened by the Soviet Union whose net exports are running at 1.5m b/d compared with only about 600,000 b/d for the UK.

The Soviet Union has now officially notified customers of a reduction from $29.25 a barrel to $28 in the price of its Urals crude which is reckoned by Italian refiners to be comparable to Arabian Light. The Soviet Union also enjoys a transportation advantage in Europe over the Opec "marker."

ENI, the Italian state oil corporation, is now understood to be charged only $27.50 under its long-term contract. Large quantities of Urals crude are reported to be available on the spot market and a further cut in the price of Soviet oil is widely expected following the Opec decision.

The disagreement within the oil industry yesterday about the true market value of North Sea oil was reflected by Mr Michael Unsworth, an oil analyst at stockbrokers Scott, Goff, Hancock and Company. He felt North Sea prices should now be about $29. This is also thought to be the view of British Petroleum (BP).

Although BP would not comment on prices yesterday it is thought to be standing by its statement last week that North Sea oil should be 75 cents to $1 below Nigerian crude.

Mr David Gray, oil analyst with stockbrokers James Capel, said that "in theory" North Sea prices should be roughly in line with Nigeria's. But in the present depressed state of the market, BNOC might need to pitch prices about 50 cents a barrel below those of Nigeria in order to ensure that it finds contract customers for its traded oil. This view is also shared by companies with production and refining interests in the UK.

BNOC's involvement in the spot oil market has forced it to sell a number of spot market cargoes at prices reported to be between $27.50 and $28.50 a barrel. This factor is likely to be raised in negotiations. Some companies may argue that the spot market value of North Sea

Continued on Page 24

U.S. glee over Opec talks may be misplaced, Page 5

U.S. PREDICTS NEW CUTS

The U.S., as the world's largest oil user, has greeted Opec's latest price cut with unabashed glee, with analysts freely predicting the collapse of the oil cartel and a further price drop to $20 a barrel by the end of April. Page 5

Tax havens 'receive $25bn from evasion and crime'

BY WILLIAM HALL IN NEW YORK

AN ESTIMATED $25bn from tax evasion and organised crime in the U.S. every year is exported to offshore tax havens where it is "laundered" and transformed into ordinary bank deposits that can then be used for legitimate purposes.

U.S. criminals involved in narcotics, prostitution and other Mafia-type activities are believed to make extensive use of offshore tax havens to build up their wealth, and this type of business is growing dramatically, according to a report on criminal aspects of offshore banks and trust companies.

The report, prepared for the Senate Committee on Government Affairs Permanent Sub-Committee on Investigations, has been released before this week's Senate hearings on the use of offshore tax havens by organised crime.

Offshore centres have been criticised before for their role in cloaking the proceeds of organised crime, but the current report will provide embarrassing reading for many central banks, as it alleges that they have turned a blind eye to what is going on in many of the world's less reputable tax havens.

The UK is singled out as one country which is responsible for several offshore centres where practices are not up to scratch. The report describes the stance of many central banks to offshore centres as "irresponsible."

Coming in the wake of Banco Ambrosiano's collapse last summer, the report is likely to add to the growing pressure for improved supervision of offshore centres, which are widely considered to be among the weak points of the international banking system.

Professor Richard Blum, author of the report, says: "Offshore centres represent an opportunity for funds generated by criminals in the U.S. or tax evaders to escape reporting through export havens because they offer secrecy and often opportunities for further criminality – for example, fraud perpetrated worldwide through banks and registered companies."

There are more than 80 tax havens of one sort or another around the world, and Professor Blüm says competition between them is keen.

"Those not closely linked by an affinity of values to major trading networks are not only indifferent to the laws of their neighbours, but create a niche by offering outrageous services and facilities prohibited in the major nations," he says.

In less advanced jurisdictions, operations of offshore banks and companies are "essentially out of control of local law and there is an absence of practical supervision."

Even in the more established centres, where information is exchanged on criminal matters, information exchange on tax matters does not occur.

Switzerland and Bermuda are cited as two countries which cooperate in criminal matters involving banks and companies but not in providing relevant tax data. At the other extreme, the Cayman Isles and Panama are described as almost entirely unco-operative.

These views will embarrass central bank supervisors, who argue that they have played a leading role in improving the standards of supervision in many offshore centres during the past few years.

A review of more than 100 U.S. cases shows that criminals make good use of offshore banks

CONTENTS

EUROPEAN NEWS

David White profiles a man who has served three very different regimes

Spain's great political survivor

ONCE A MONTH the chairmen of Spain's seven most powerful private banks get together for a very private lunch. Recent custom had it that this little group – some of whose members are old enough to be the fathers of some of the others – extended its hospitality to the eighth most powerful.

But for the last couple of lunches, ever since a new chairman was appointed to Banco Exterior, the isolated mixed public/private foreign trade bank, the eighth man has not been asked. Nor, or so he says, did he give them any hint that he expected to be.

When the Socialists took power in December they gave the job at this specialist export bank, two-thirds owned by the state, to Sr Francisco Fernandez Ordoñez, a former Treasury and Justice Minister, consummate politician and survivor extraordinary.

Sr Fernandez Ordoñez has performed the feat of holding down public office under three very different governments. Few careers in Spain have showed such road-holding power through the twists and turns of the last 10 years.

Under the Franco regime, after working at the Finance Ministry and representing the government in various international meetings, Sr Fernandez Ordoñez became head of the *Instituto Nacional de Industria* (INI), the vast state holding empire set up by Franco.

The period following Franco's death in 1975 saw him working with Sr Adolfo Suarez's Centrists, with two highly delicate cabinet jobs at the Treasury and the Justice Ministry. It was he who handled the laws on tax reform and divorce.

Sr Francisco Fernandez Ordoñez: 'call me Paco'

In 1981 he left the rightward-drifting UCD, the ruling coalition party, taking with him nine other deputies and six senators. The period in the wilderness for this essentially social democratic grouping was not to last even a year. Their splinter Democratic Action Party (PAD) formally joined forces with Sr Felipe Gonzalez's Socialists within weeks of the general election last October.

The latter's victory, with Sr Fernandez Ordoñez figuring prominently in the list of candidates for Madrid, assured the former PAD group of a handful of seats in both houses, a couple of civil governorships, and a cabinet post – Sr Javier Moscoso, Minister in charge of the Civil Service.

Sr Fernandez Ordoñez did not emerge in the new Government – the Prime Minister said he was going to have "new faces" and that excluded him automatically – although his brother, Sr Miguel Angel Fernandez Ordoñez, is Secretary of State for Planning at the Finance Ministry.

The bank job, he says, fitted in with his own wish to get back to professional life. At 52 he had already become tired of politics.

Following the new Socialist creed against holding simultaneous jobs and inflated state-sector incomes, he gave up his parliamentary seat and had his salary cut. His immediate subordinates, who had to follow suit, are still smarting from that decision.

Now, in his dark-panelled office hung with sombre paintings, the banker's mantle sits uneasily on him. When calls are put through he still announces himself: "This is Paco."

The bank – unique in the Spanish context – seems likely to gain a more forceful role in the implementation of Government policy. Other bankers, aware of this link, question whether they can count on Sr Fernandez Ordoñez for discretion.

On the other side, the Socialist Left and the Communists are equally suspicious of him and others who have links with the old INI hierarchy and are still in top jobs.

His predecessor at INI, Sr Claudio Boada, who has been kept on as head of the state oil authority Instituto Nacional de Hidrocarburos, is probably the only ahead of him, in their view, for the title of the infinitely flexible Vicar of Bray.

Lubbers wins nuclear debate

By Walter Ellis in Amsterdam

MR RUUD LUBBERS, the Dutch Premier, has beaten off an extraordinary and divisive request from a group of his own Christian Democrat Members of Parliament to join them in opposing official Government policy.

They had asked him to ally the party to the Dutch peace movement.

But Mr Lubbers, after a stormy debate, won a late night vote against the proposal by 29 to 14.

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Storting challenge on defence policy

BY FAY GJESTER IN OSLO

NORWAY'S minority Conservative Government yesterday faced a sharp challenge from Labour, the largest opposition party, over its support for Nato's "twin track" missile modernisation programme. A Storting (parliament) debate on defence policy was expected to end with a very close vote on the missile issue, with several Members of Parliament from parties which normally support the Conservatives voting in favour of two motions tabled by Labour.

The Labour motions urged that all preparations for deployment of new U.S. missiles should be suspended until U.S./Russian arms reduction talks in Geneva have been concluded, and that Nato governments should advocate putting new negotiating proposals to the Russians, more flexible than the so-called "zero option", which would entail Russia removing all its SS-20s, and America dropping its missile modernisation plan.

The new offer should take account of UK and French intermediate range missiles when calculating the balance of weaponry on each side.

Conservative MPs stressed the need to continue preparations for deployment in order to force concessions from the Russians. Several suggested that reluctance to support fully the "twin track" policy indicated a lack of commitment to Norway's Nato membership itself. This was vigorously denied by MPs from Labour and other parties.

Mr Johan Jakobsen, the Centre Party leader, said it was wrong to accuse all opponents of the Government's policy of being unwitting tools of the Kremlin.

The key role that the younger generation is playing in the peace movement was emphasised by Mr Guttorm Hansen, Labour Party veteran and President of the Storting. He said these young people – "who are not burdened with the war trauma of my generation" – were able to look at things in a new light, and "to ask new questions".

EUROPEAN NEWS

MEP seeks to allay British fears over N. Ireland study

BY JOHN WYLES IN BRUSSELS

MR NILS HAAGERUP, the Dane who is to be the author of the European Parliament's controversial report on Northern Ireland, sought yesterday to allay British government fears of a provocative interference in the nation's internal affairs.

Shortly after being confirmed as the rapporteur on Northern Ireland for the Parliament's political affairs committee, Mr Haagerup said he would do nothing to make the situation worse there.

His main purpose was to increase understanding of the political, economic and social situation.

While not wanting to tie himself down before starting work, he virtually ruled out public hearings in London, Dublin or Belfast. He also gave the strong impression that he would not seek to contact the Sinn Fein members of the Northern Ireland assembly, although he was open to seeing anybody.

Mr Haagerup has considerable freedom of manoeuvre in drawing up the report which he aims to finish before the end of the year. He is bound by a 1981 parliamentary resolution of his own drafting to avoid discussion of any possible constitutional changes for Northern Ireland. This apart, his conclusions are subject only to the need to win maturity backing from the political affairs committee for a draft resolution to be put before the full Parliament.

As he stressed yesterday, the explanatory statement to be linked to the resolution will be entirely his own work. It will be informed by nearly three years work as chairman of an informal working party composed of MEPs froh five of the Parliament's six political groups.

The working party visited Belfast last June and had a meeting with Mr James Prior, the Northern Ireland Secretary. Formally, the British Government has vowed not to cooperate with Mr Haagerup, although observers see more possible flexibility from Mr Prior than from Mrs Margaret Thatcher, the British Prime Minister.

Grappa loses out to gin

BY OUR BRUSSELS CORRESPONDENT

THE EUROPEAN COURT may have opened the way to higher sales of British gin in Italy through a judgment yesterday supporting a European Commission complaint of unfair tax discrimination against imported spirits.

The complaint, which was supported by the British Government, alleged that Italy discriminates in favour of its own locally-produced "grappa" by levying a 35 per cent VAT rate on imported brandies and also on gin. The rate applied to the local product is 18 per cent.

The Italian Government argued that imported products with their special labels of origin were luxury goods, while the domestic drink subject to lower taxes was more of a necessity. While allowing that differential rates of tax can be levied according to objective criteria, the court termed the Italian criteria in adequate and a form of discrimination in breach of Article 95 of the Treaty of Rome.

Italy is thus required to harmonise the tax rates. Foreign manufacturers of gin and brandy will obviously hope to see their tax rates reduced and as a result higher sales.

The judgment marks a further step forward in the Commission's campaign to eliminate tax discrimination affecting the free movement of alcoholic drinks within the EEC.

New clash threatens in French car dispute

By Paul Betts in Paris

FRANCE'S two leading carmakers are adopting different approaches to a complex and potentially sensitive labour dispute with implications for industrial relations beyond the country's automobile industry.

The dispute has the makings of a possible confrontation between the Labour Ministry and the industry. This follows the decision of a Labour Ministry inspector to reinstate seven union delegates, all of North African origin, whom the two car companies had fired on charges of provoking violence and unrest.

Citroen, part of the private Peugeot car group, is adopting a hard line in the dispute. Renault, the state car company, is taking a more moderate approach.

Citroen has decided to appeal against the inspector's decision to reinstate four delegates of the CGT union, who were charged on Monday by a public prosecutor with "physical violence and obstructing work in the plant."

Among these delegates is Mr Akka Ghazzi, the North African local CGT leader at the Citroen plant of Aulnay outside Paris.

Citroen is planning to appeal either to the Minister of Labour or through the courts. But Renault has decided not to appeal against the inspector's decision.

Instead, the state car-maker took internal disciplinary actions against its three union representatives involved, who all belong to the CFDT union.

Renault's disciplinary actions were relatively mild in that the state company suspended two of the three union representatives for one week and two weeks respectively, while it transferred the third to another plant.

The difference in approach by the two car companies largely reflects the difference in the intensity of the labour troubles at their respective plants last month which led to the controversial dismissals.

The disturbances at Citroen's Aulnay plant left 25 people injured. In contrast, verbal outbursts marked the Renault disturbances.

The two plants have been calm since the inspector's ruling, although at Renault's Flins plant outside Paris a group of foremen openly condemned the reinstatement of the North African labour officials. This appears to suggest an undercurrent of continuing tensions in the big Renault plant.

The controversy is so sensitive because it raises the whole question of immigrant labour in France at a time of renewed racial tension in major cities, especially against Moslem immigrants.

Moreover, it reflects the failure of the big union confederations to control the increasingly vocal immigrant component in the French labour movement.

In general, however, the government, the union leadership and the industry are seeking to calm the current strains in labour relations which have been costly to the automobile industry. The recent strikes have lost Renault about 40,000 cars and Citroen 6,500 cars.

Bavarian Hannibal batters at the gates

BY JAMES BUCHAN IN BONN

STRAUSS ANTE PORTAS (Strauss at the gates). This was the comment of a West German radio station yesterday to the announcement from Munich that the chairman of the Christian Social Union (CSU) and Prime Minister of Bavaria wanted a place in the Cabinet which Chancellor Helmut Kohl will soon be forming in Bonn.

However, the question troubling the commentator, as well as most of political Bonn, is whether the modern Hannibal really intends to storm the city or will turn his elephants round once they have done their work, scaring Herr Kohl and his Christian Democrats (CDU), as well as the junior partners, the Free Democrats, into agreeing to a coalition to the Bavarian taste.

Herr Kohl may well have breathed a sigh of relief after the general elections on March 6 when the two sister-parties, CDU and CSU, just failed to gain the absolute majority which would have meant that Herr Franz-Josef Strauss could not be kept out of a senior post in Bonn.

Herr Kohl has never shown any enthusiasm for his more right-wing colleague breathing down his neck in Bonn.

However, in the past few days there have been signs of growing irritation in the CSU at the cosy impression in Bonn that the coalition could proceed much as before, despite the fact that Herr Hans-Dietrich Genscher's FDP lost a third of it seats in the election and now trials the Bavarians by almost 20 seats.

Just two hours before Herr Strauss and Herr Kohl were due to start talks on Monday in preparation for the formal coalition negotiations tomorrow, the message came from Munich that Herr Strauss had a right to a Cabinet post and was waiting for an offer from Herr Kohl.

This could only mean one of the big ministries, such as Foreign or Finance, and puts Herr Kohl in a difficult position.

This is because he is keen to retain Herr Genscher in the Foreign Ministry and will not want to eject from the Finance Ministry such an able Minister as Herr Gerhard Stoltenberg, who anyway has powerful backing in the north.

Herr Kohl has defeated the Bavarian before, most recently in the formation of the coalition after it first came to power in October and CDU officials were yesterday remarkably calm, suggesting simply that the statement from Munich had given "certain new nuances" to the picture.

Herr Strauss clammed up again yesterday about his personal intentions, but it is still felt that despite the fact that this may be his last chance at high office in Bonn, he will not risk irremedially souring the coalition for the sake of a portfolio.

However, something will have to give. Her Strauss arrived in Bonn this week with 80 pages of proposals for changes in foreign policy.

Herr Edmund Stoiber, the CSU general secretary, called for "corrections and changes" in policies towards Africa—where Herr Strauss opposes the Venice Declaration — and Eastern Europe and the Soviet Union, where the CSU wants to take a harder line.

West urged to ease stand at Europe security talks

MADRID—Western governments were urged yesterday to drop or soften demands for improved human rights conduct in the Soviet bloc in a bid to bring the marathon European security review conference to a speedy end.

The initiative was launched by eight of the neutral and non-aligned states at the 35-state meeting which tabled a new draft concluding document substantially watering down Western demands.

The document dropped calls for specific undertakings not to expel foreign journalists, to halt jamming of foreign radio broadcasts, to respect the right to strike and to sanction so-called Helsinki monitor groups.

These are groups set up inside the Soviet Union by individuals to monitor the human rights undertakings in the 1975 Helsinki accords on security and co-operation.

East-West differences over human rights, worsened by the imposition of martial law in Poland, have been largely responsible for dragging out debates in Madrid for 29 months. The conference, which began on November 11 1980, can only end with a consensus vote. The new draft sets April 27 as a proposed closing date.

Diplomats from Austria, Cyprus, Finland, Liechtenstein, San Marino, Sweden, Switzerland and Yugoslavia said they drafted the proposed final document to include all that was realistically obtainable.

Another proposal to make specific mention of a meeting of Western foreign ministers in Madrid to condemn martial law in Poland has also been diluted into two vague references. A strong clause on the right of self-determination was dropped.

The neutral and non-aligned draft retains reference to free trade union rights but omits a clause enabling unions to form federations and confederations and inserts a new provision for unions on "compliance with the law of the state."

Reuter

Petrol price rises 25% in Poland

By Christopher Bobinski in Warsaw

THE PRICE of petrol, which has been rationed in Poland since last year, went up by a quarter yesterday. Rationing of coffee is due to end on Monday but will go up in price by 125 per cent. Cigarettes, too, are to cost 15-60 per cent more.

Mr Zygmunt Lakomiec, the Home Trade Minister, said at the weekend he hoped to see only "meat and little else" rationed by the end of the year. Shoes are due to go on open sale next month.

With shortages persisting in many areas, the February figures for the economy show an upturn in production of some consumer goods, like refrigerators and washing machines, and a 22 per cent improvement in supplies to the shops compared with a year ago.

Increases in the cost of some rents, energy and fuel are expected in the second half of this year.

Scandal may topple Italy regional government

BY JAMES BUXTON IN ROME

THE left-wing regional government of Piedmont in north-west Italy was due to resign formally last night as the consequence of a corruption scandal which threatens to damage the standing of the Socialist and Communist parties in Italy.

The city council of Turin, the regional capital, is also expected to resign within days.

After a meeting of the Socialist Party leadership in Rome yesterday, the party decided to send two commissioners to Turin to take over the running of the party there and attempt to salvage its reputation.

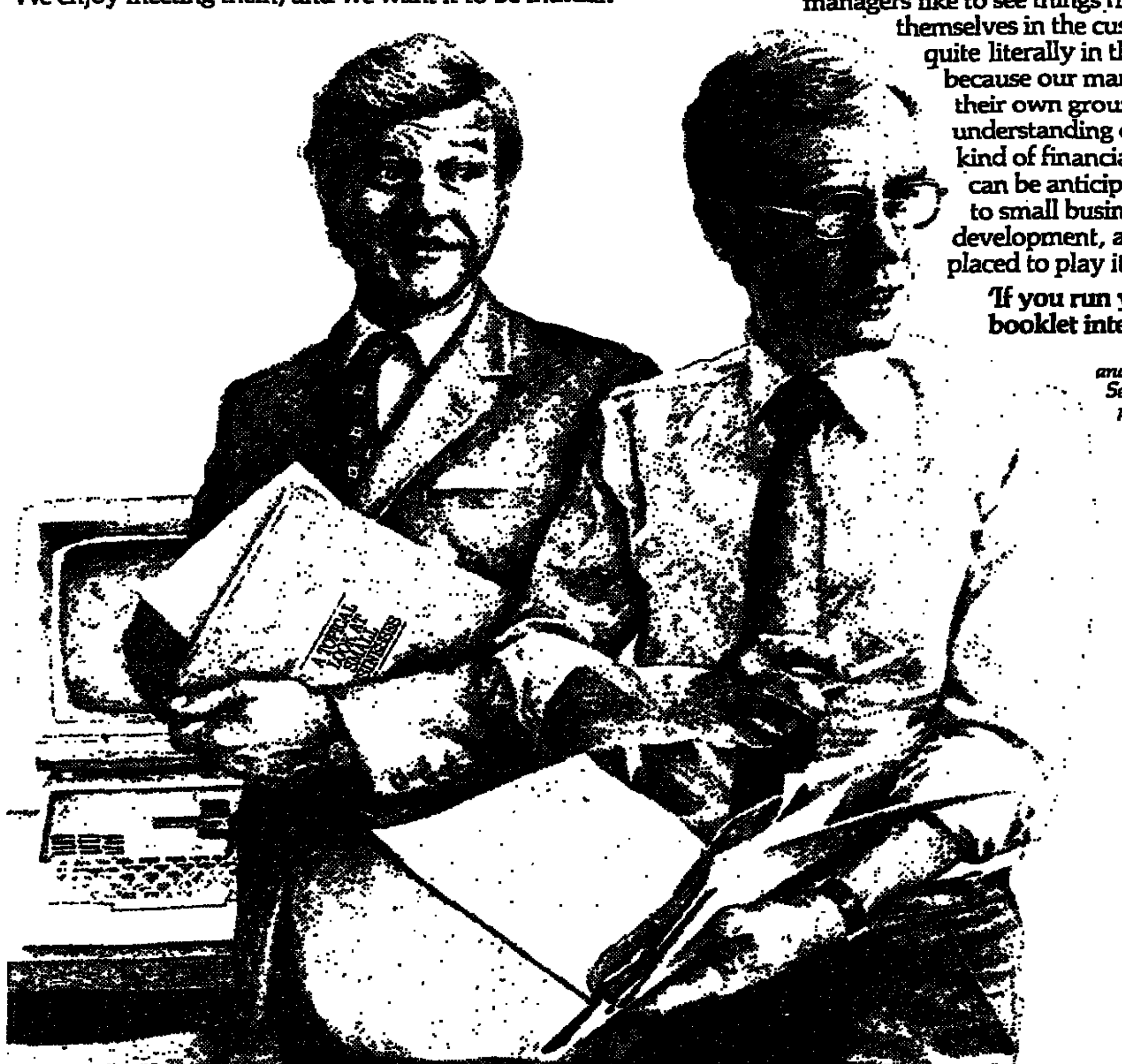
The scandal broke with the arrest in the last few days of nine elected officials and their subordinates on charges of accepting or offering bribes and misusing public positions for private gains.

It was alleged that they took or offered bribes in connection with the award of supply contracts by the city of Turin and the regional government of Piedmont.

Those in prison include the Socialist deputy mayor of Turin, four other Socialists, who were in senior positions, the Communist party chief whip of the regional government, two Christian Democrats and an intermediary, who is alleged to have offered the bribes and has since confessed.

About 30 people have been warned that they are under investigation.

The fall of the Communist, Socialist and Social Democrat coalition which runs Piedmont—under a Socialist chairman—and the expected fall of the Communist and Socialist majority which runs Turin, whose mayor is a Communist, is a blow to Italy's two main left-wing parties. It comes in the run-up to local elections to be held in many cities in June. There will now be attempts to form new administrations.



Mideast weapons table: Keep it simple for success

BY PATRICK COCKBURN

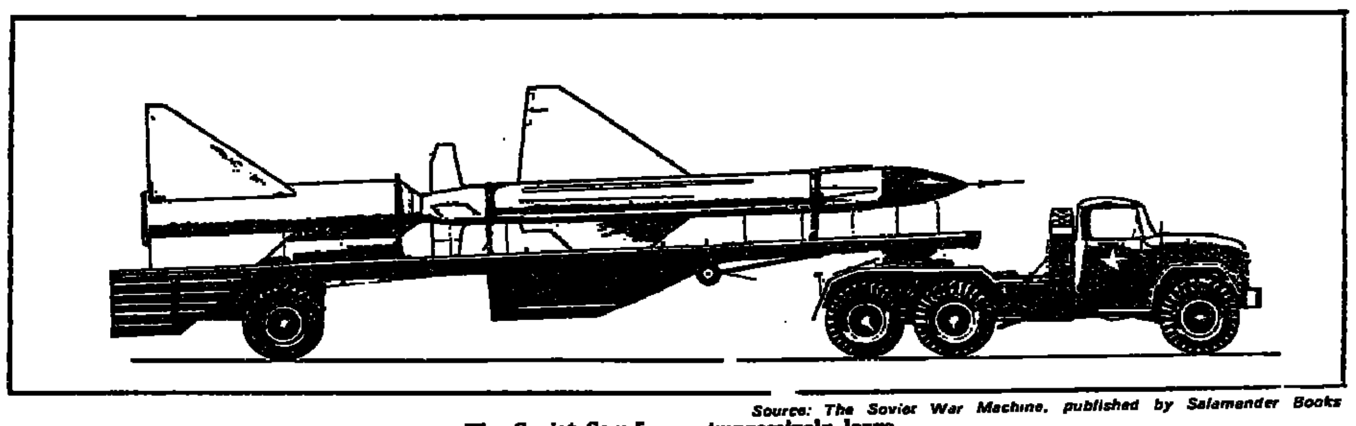
SINCE the start of the year Soviet technicians have been moving bulky Sam 5 anti-aircraft missiles into Syria. Each is 55 ft long and weighs 10 tons, but although impressive in size, the missiles are unlikely to dent Israeli air superiority over Lebanon.

Israeli warnings that the missiles pose a threat to their security reinforce Syrian and Soviet fears that Israel will launch a new military assault on the Syrian army in Lebanon.

Mr George Shultz, the U.S. Secretary of State, says the missiles, deployed in four batteries, alter the military balance in the region. Local military observers say, however, that the 20-year-old missiles are mainly of use against high flying Israeli reconnaissance aircraft such as Hawkeyes, and the Sam 5s are rather a symbol of Russian solidarity with Damascus.

The Soviet Union is eager to show the Syrians and other Middle East powers that its military equipment can be more effective than it appeared to be during the fighting last June after Israel invaded Lebanon. Arab-Israeli conflicts have always been a laboratory of war, with modern Soviet and American weapons pitted directly against each other.

Both Moscow and Washington have therefore made every effort to discover how their equipment stood the test of actual combat in last year's battles in Central and Eastern Lebanon.



Source: The Soviet War Machine, published by Salamander Books

The Soviet Sam-5 . . . impressively large

The outcome of the fighting in 1982 was a crushing defeat for the Syrian Air Force, which lost 83 aircraft. Some 19 Sam anti-aircraft missile sites were destroyed by the Israelis without loss. On the ground, however, Syrian forces did much better, inflicting significant casualties on the Israelis though they proved unable to stop the drive of armoured columns.

The most significant lesson to emerge from the fighting is that the simpler weapons tended to be the most effective and the superior training of Israeli pilots and tank crews was the key to their success.

The Syrians lost mostly Mig 21 and Mig 23 aircraft, during the first week of the war and 61 of their pilots were killed, say diplomats in Damascus. Israeli aircraft losses were negligible.

Most of the Syrian aircraft were shot down by Sidewinder air-to-air missiles or by the Shafrir, the Israeli version of the weapon. Sidewinders lock on to the exhaust emissions of enemy aircraft. The more sophisticated Sparrow missile was less successful.

The Pentagon is particularly interested in the success of electronic counter measures (ecm) used by the Israelis against the Sam 6 batteries destroyed in the Bekaa Valley. This was achieved by low level fighter bomber attack combined with decoy raids by drones. Antiradiation missiles, also employed by the U.S. in Vietnam, destroyed the Syrian radar vehicles.

The key to Israeli superiority in aerial combat over the Bekaa Valley was pilot superiority. More than half the Syrian jets destroyed were shot down by F-16s which outperformed the F-15s.

Overall, however, the Israeli Air Force provided only limited close support for tanks and infantry units. Its biggest success at interdiction was when Israeli aircraft caught a Syrian brigade moving up to the front at night using lights. The Syrians could not get off the road when the Israelis dropped flares and suffered heavy losses from rockets and Rockeye cluster bombs.

In the fighting among the steep hills at the south end of the Bekaa Valley around Lake Qairoun 60 per cent of Syrian tank losses were inflicted by Israeli tanks using traditional 105 mm guns. Although details are scanty, the Israeli 7th armoured brigade is believed to have knocked out eight or nine of the much vaunted Soviet T-72 tanks. It is not clear, however, whether the TOW wire-guided missile can penetrate the T-72's frontal armour.

There is no evidence that the Israelis deployed any super weapon against the Syrian tank brigades, but the deterioration of relations between Washington and Jerusalem has led the Israelis to be less forthcoming about details of the fighting than they were in 1973. Gen Ariel Sharon, the former Defence Minister, claimed, for instance, that the Israelis actually captured a T-72 but this has never been confirmed.

It is clear, however, that Syrian armoured personnel carriers took heavy losses. For a week after the fighting ended last June, Syrian tank transporters were bringing back the carcasses of APCs to Damascus.

The Israeli advance line just north of the town of Joub Jennine is marked by the shattered remains of two Syrian APCs. With two small rear doors and little protection against anything more than shell splinters the carriers were often death traps for Syrian infantry.

The Sagger wire-guided anti-tank missile mounted on the front of the APC does not seem to have been very effective last June, possibly because of the vulnerability of soldiers operating it. Steering the Sagger is difficult and it takes 27 seconds to travel 3,000 metres.

Israeli soldiers also seem to have reservations about their M-113 armoured personnel carriers, with aluminium armour. Some soldiers prefer to ride outside the APC on the grounds that this is safer if they come under attack.

From the beginning of the war, however, the Syrian infantry gave a good account of themselves. This was particularly true of the elite special forces. It was they who probably captured an Israeli M-60 tank which was paraded through the streets of Damascus.

But with the Israelies now within artillery range of the Syrian capital and holding the key heights overlooking the Bekaa Valley, the 30,000 Syrian troops still in Lebanon are in an impossible military position. Delivery of more Soviet equipment such as the Sam 5 anti-aircraft missiles, cannot make up for the deficiencies which emerged last year.

Chinese ready to discuss joint ventures in Australia

BY MARK BAKER IN PEKING

CHINA is considering making substantial joint investments in Australian resource projects.

Mr Zhou Ziyang, the Chinese premier, says he wants to discuss joint ventures—particularly in iron ore exploration and mining—with Mr Robert Hawke, the Australian Prime Minister, next month.

Such investment by China, which is now holding close to A$7bn (£4.3bn) in net foreign exchange reserves, could boost Australia's mining industry significantly.

Chinese officials see investment in Australia as a means of securing long-term access to raw materials. They have already had tentative discussions with Australian officials and companies in the fields of alumina, paper pulp, forestry and fishing.

Mr Zhou said yesterday that China planned to buy more high-grade Australian iron ore, but was also interested in participating in mining.

"We do not exclude the possibility of running joint ventures with other countries, so I think we can explore this issue during my visit to Australia," he said.

"I'd like to discuss joint ventures and joint exploration of iron ore."

Mr Zhou's remarks are the strongest indication yet of China's interest in investing in resource supply areas in Australia and elsewhere.

His apparent revival of the issue has surprised some prominent Australian businessmen, as joint investment discussions between Australia and China over the past few years had made little progress.

However, China may be more concerned with its iron ore supply because of the current expansion of the Baoshan steel complex near Shanghai, the biggest industrial project in its history. While Australian exports of iron ore to China have declined in the past 18 months they are expected to increase significantly with completion of the second stage of the steel works.

The possibility of a Chinese-Australian joint venture in Australian iron ore was first raised publicly when Mr Peter Jones, the West Australian Minister for Resources Development, visited Peking in July 1980.

At that time, China was believed to favour investment on the basis of triangular bartering where China would, for example, gain a stake in a project in Australia by supplying coal to Japan which would then supply cash and equipment for the project.

IMF team backs Seoul's strategy for economy

BY ANN CHARTERS IN SEOUL

THE INTERNATIONAL Monetry Fund mission has given strong endorsement to the South Korean Government's strategies for managing the economy, but has counselled that the country should reduce the proportion of short-term debt.

Last year, South Korea's debt with maturities under one year amounted to $10bn (£6.6bn) out of a total external debt of $37.2bn.

The findings of the mission which ended a two-week visit to Seoul this week, are preliminary until officially approved by the IMF Board in Washington.

South Korea's borrowings in the inter-bank market for short-term funds totalled $6.2bn last year, and private loans constituted the remaining $3.8bn, according to Economic Planning Board statistics.

The South Korean Government's money supply target of 18 per cent growth this year is regarded as reasonable, according to the IMF team.

Despite last year's rapid expansion of the money supply in the wake of the kerb market scandal, with M2 reaching 27 per cent growth for the year, the country has managed to slow the growth rate considerably. The growth of M2 during the past six months at an annualised rate has been only 14 per cent.

The mission essentially agreed that the country's foreign exchange policy to resist a large devaluation benefited near the end of last year from the weakening of the U.S. dollar and the impressive decline in domestic inflation.

Wholesale prices increased only 4.7 per cent as an average for the year, while consumer prices showed only a 7.3 per cent increase.

On a year-end basis, compared with December 1981 figures, the results show a continuing decline with wholesale prices at 2.4 per cent and consumer prices at 4.8 per cent.

With both these factors moving in South Korea's favour, the country has managed to take the pressure off its exchange rate, and restore the competitiveness of its exports to 1980 levels.

The mission found the country well-positioned to meet its export growth targets this year once the major industrialised countries, particularly the U.S., recover from the recession and start placing orders again.

Last year, South Korea's real growth in exports was 2.8 per cent, an increase far below its normal performance.

This year, South Korea has targeted exports to reach $23.5bn, an increase of 9.5 per cent in real terms.

The IMF mission findings indicated that South Korea should easily be able to achieve a 6-7 per cent increase in the volume of its exports even if the world economic recovery is delayed until the fourth quarter of this year.

The country had a 5 per cent increase in the volume of its exports despite last year's difficult times for trade.

Shamir's stand on troop pull-out worries Beirut

BY PATRICK COCKBURN IN BEIRUT

THE LEBANESE Government is concerned at the hard-line statements on Israel's withdrawal from Lebanon being made by Mr Yitzhak Shamir, the Israeli Foreign Minister.

"From my meetings with U.S. officials so far, I feel the Israelis are taking negotiations back to square one," Mr Elie Salem, the Lebanese Foreign Minister, was quoted as saying yesterday.

Mr Shamir has spoken of Israeli troops remaining in Lebanon for two or three years. The Lebanese had hoped that the Israelis had softened their line on retaining military positions in South Lebanon. The Syrians say they will not withdraw their 30,000 troops from Lebanon until all Israeli soldiers pull out.

But despite meetings with President Reagan and Mr George Shultz, the U.S. Secretary of State, Mr Shamir has claimed that the Lebanese Government is too weak to guarantee the security of Israel's northern border.

Mr Shamir

Most diplomats in Beirut consider Israeli procrastination to be firmly linked to what they believe is Tel Aviv's desire to prevent the Reagan peace plan getting off the ground.

The plan, first announced last September, envisages autonomy for Palestinians on the West Bank and Gaza in association with Jordan. The Israeli Government has denounced it.

Zimbabwe in attack on Pretoria-based journalists

HARARE—Zimbabwe's pro-government Herald newspaper called yesterday for the banning of all South African-based journalists from the country.

In an editorial headed "Mischief Makers," the newspaper repeated recent government allegations that foreign correspondents were portraying Zimbabwe as a country on the verge of civil war.

It said Mr Joshua Nkomo, the Opposition leader, who fled the country last week saying his life was in danger, was apparently able to manipulate foreign correspondents, particularly those based in South Africa.

"The reports about this country by the Pretoria-based Daily Telegraph (of Britain) correspondent in particular leave much to be desired," it said. "We again suggest that those journalists based in South Africa be denied press facilities here."

A South African-based correspondent of Newsweek Magazine was banned last month after the government disputed his report on widespread killings in Matebeleland.
—Reuter

هكذا اصل الأصل

Reagan 'resists change in Geneva N-arms stance'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE WHITE HOUSE yesterday *again insisted that President* Ronald Reagan had not changed his position on the Geneva negotiations with the Soviet Union on intermediate range missiles in Europe.

The assertion came after calls on Mr Reagan by a mounting number of West European leaders to modify his position and propose an interim agreement under which each side would deploy a limited number of missiles.

Speculation mounted in Washington that some such proposal might be in the wind after Mr Caspar Weinberger, the Defence Secretary, said that he could envisage an interim agreement if it was clearly stipulated that the talks would go straight on to negotiate a total ban—the so-called "zero option" that Mr Reagan has proposed.

The White House said Mr Weinberger's remark was totally consistent with Mr Reagan's long-standing position — that the Administration would consider any ideas that will *help it to achieve a total ban* and that the zero option is not meant to be a take-it-or-leave-it offer.

Mr Weinberger has said that the next move must come from the Soviet Union, which has yet to make a serious negotiating proposal. The Washington Post, however, reported that the Administration was giving "serious consideration" to a new proposal, which could be put to Mr Reagan as early as next week.

One White House official said that it was "conceivable" that such a proposal, if approved by Mr Reagan, could be tabled in *Geneva before the end of the* present negotiating round on March 28. This, however, was *far from certain*.

The Soviet Union, however, would be virtually certain to *reject any proposal that was* linked to progress towards a total ban, which it has flatly ruled out.

Increase in U.S. output lifts hopes of recovery

BY ANATOLE KALETSKY IN WASHINGTON

U.S. INDUSTRIAL production increased in February for the third month in succession, providing the firmest evidence yet that the recession may be over.

The Federal Reserve Board reported yesterday that production increased by 0.3 per cent last month and revised January's improvement from 0.9 per cent to 1.3 per cent. December's gain, previously estimated at 0.1 per cent, was raised to 0.2 per cent.

The figures, which were better than the markets expected, could make it even more difficult for the Fed to further ease monetary policy.

Opponent's of the Fed's relaxation of monetary controls have cited thet rapid pace of economic recovery as a major reason for the inflationary fears which are spreading in the markets, despite the fall in oil prices.

The White House is now almost certain to revise sharply upwards its official forecast that the economy will grow by 3.1 per cent between the fourth quarters of 1982 and 1983.

Some Administration economists believe the recent large jump in the money supply will lead to growth of 6 per cent or more during this period.

Mr Martin Feldstein, President Ronald Reagan's chief economic adviser, may find his influence undermined if the cautious forecast with which he was strongly identified in January has to be overturned completely when the official revision is published in mid-April.

In publishing the industrial production figures, the Fed warned, however, that February's improvement was due mainly to an increase in automobile output, which is now running above sales and may therefore not be sustainable.

Output of other consumer goods was flat in February, while business equipment production declined by 1.2 per cent after a 1.1 per cent fall in January. Defence, construction supplies and intermediate goods were other positive elements in the figures.

Chile opposition leaders seek meeting with junta

BY MARY HELEN SFOONER IN SANTIAGO

A GROUP of 17 opposition and labour leaders have sought a meeting with the leaders of Chile's army, air force, navy and military police to discuss the country's economic crisis and to suggest alternatives to the existing slow timetable for an eventual return to democratic rule.

In an open letter to General Raul *Benavides of the army*, General Fernando Matthei of the air force, Admiral Jose Merino of the navy and Commander Cesar Mendoza of the military police, the group indirectly criticises President Augusto Pinochet's unwillingness to respond to previous public petitions.

"We think the public cannot agree with the fact that the chief of state has not discussed the serious international isolation of our country, a situation which has never happened before in the country's *history* and which compromises the country's prestige *and* security," the letter said.

The 17 signatures include centrist labour leaders, former Christian Democratic officials and representatives of Chiles' proscribed centrist political parties.

The letter suggests Chilean opposition groups are growing bolder in their criticism of the junta. It also suggests that they have perceived divisions within the Pinochet regime.

Last month most of the signatories took part in filing a constitutional suit against Sr Rolf Luders, the then Finance and Economy Minister, accusing him of mismanagement of public funds.

Gen Matthei, considered to be *the most* Democratic-minded of the four military commanders, said the suit would be treated "with all seriousness" by the junta.

A few weeks later the same group presented an even bolder petition, calling on the junta to assume executive powers, to end the state of emergency and to hold elections for a one chamber parliament in six months' time.

The official reaction to the group, which calls itself the Project for National Development (Proden), has been comparatively mild.

President Pinochet, in a *nationwide speech last Friday*, said the regime would stick to its current timetable for selecting a new president in 1989, and said there would be no easing of political restrictions until that time.

He also condemned Chile's outlawed political parties, accusing them of receiving funds from abroad.

Left-winger inaugurated as Rio governor

BY JOHN ARDEN IN RIO DE JANEIRO

THOUSANDS OF flag-waving supporters yesterday cheered the anauguration of a left-wing leader, Sr Leon el Brizola, as Governor of the state of Rio de Janeiro. Sr Brizola, as Governor of the state of Rio de *Janeiro*. Sr Brizola was one of 23 state governors inaugurated in ceremonies throughout the country in the wake of last November's general elections.

Thirteen of the state governorships were won by government men, members of the Partido Democratico Social (PDS). Ten went to Opposition governors.

Brizola's small Partido Democratico Trabalhista (PDT) was based largely on his charismatic personality and his promise to make significant changes to Rio. Sr Brizola, now 61, and a former governor of Rio Grande do Sul, returned to Brazil after years in exile, under President Figueiredo's amnesty programme.

Sr Brizola has recognised that taking over the administration of the *financially depressed* state of Rio with a hostile federal government in Brasilia will be no easy task.

Central American summit planned

By Hugh O'Shaughnessy

THE governments of Honduras and the Dominican Republic are hoping to convene a summit meeting of regional governments in Santo Domingo in the next few weeks to attempt to work out a peace initiative for Central America.

Invitations are to go out to Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Mexico, Colombia and Venezuela.

The significance of the meeting lies in the fact that the Sandinista Government of Nicaragua is now being in*cluded. An earlier series of* inter-governmental meetings excluded Nicaragua.

The State Department is making renewed efforts to convince the Salvadorean Left to take part *in general* elections to be held at the end of the year *in* El Salvador.

Through intermediaries in the region, Washington is hoping that the Revolutionary *Nationalist Movement* (MNR), the left-wing civilian front, and the FMLN guerrilla grouping which is fighting the government of President Alvaro Magana can be per*suaded to take part* in the poll if sufficient guarantees for their safety can be worked out.

U.S. glee over Opec talks may be misplaced

BY ANATOLE KALETSKY IN WASHINGTON

AS THE world's largest oil users, with a consumption of 15.2m barrels a day (b/d) out of the 45.3m b/d consumed by the *whole non-Communist* world in 1982, Americans have been unashamedly gleeful in the past week over what many of them believe to have been the death throes in London of the Organisation of Petroleum Exporting Countries (Opec).

The market-sharing agreement announced on Monday will win only the briefest respite for the cartel, according to many U.S. analysts. They have been speculating in the media that oil could cost only $20 a barrel by the end of April, that oil companies will continue to run down their stocks for the rest of the year and that the only "natural" floor for the oil price now is the cost of producing North Sea and Alaskan crude.

But there are three problems with these agreeable figures.

Firstly, the forecasts assume *that oil prices will stay down* for at least the next two or three years. If Opec manages to re-establish some discipline among its members and prices start edging up again before the end of the year, the impact of the temporary price reduction will be almost imperceptible.

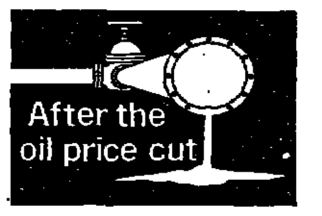
Secondly, the gains being forecast are not related to any fundamental improvement *in* the economy's structure—they are merely windfalls, resulting from the large weighting of energy in the consumer price index and the increase in disposable income which will accrue to the U.S. economy if it saves a proportion of the $60bn it spent last year on importing 5m to 6m b/d of oil.

Whether or not a period of cheap energy will help put the economy on the road to steady non-inflationary growth now seems less obvious than it might have done ten years ago. Lower energy prices have already brought about reductions in conservation-related investment, such as new fuel-efficient aircraft, new generating systems and alternative fuel projects.

There is no doubt, as the Reagan Administration has said repeatedly, that falling oil prices could be a boon to the U.S. and the world economy, despite what the President has called "some short-term concerns" about the banking system and the oil producers' debts. What is much less certain, *however, is whether the* current oil glut can be turned to the U.S. economy's long-term advantage if the Government sticks to a strictly laissez faire role.

If oil prices fall no further than the $29 a barrel set by Opec on Monday and if President Reagan takes no further action, the U.S. will gain marginally in terms of output, inflation and employment.

If the oil price falls a further $2, to $27, the gains become more significant, particularly on



inflation. This would then be 0.9 percentage points lower in 1983 than it would have been with oil at $33 a barrel. Real growth also increases, by 0.4 percentage points a year until 1985.

Thirdly there are the "short-term concerns" about the solvency of the banking system and the energy industry. U.S. banks *are estimated to have about* $35bn in loans out to domestic energy companies and over $40bn in sovereign loans to Third World oil producers.

While experience suggests that the sovereign loans will be supported *if* necessary by the Federal Reserve, the U.S. Treasury and the International Monetary Fund, the corporate loans would look much more dicey if the oil price fell below $25.

The failure of Penn Square Bank of Oklahoma City last year shook bankers all over the country, but particularly those in Texas and other oil states, *where it is not unusual to find* banks with a third of their loan portfolio concentrated in the energy sector.

The fundamental question underlying all these problems is whether an oil price of $27, $25 or even $20 a barrel is likely to be permanently sustainable. If it is not, then the disruption caused even by a return to cheap energy followed by a new round of price hikes, will probably outweigh the temporary benefits even if the low prices can be maintained for a year or two.

This is one of the reasons why Mr Paul Volcker, chairman of the Federal Reserve Board, and Mr Martin Feldstein, chairman *of the Council of Economic* Advisers, have both argued in favour of a tax on oil imports which would channel the benefit of cheaper Opec oil to the federal government, rather than directly to energy consumers.

In principle, the Government could still boost economic growth and demand by simply cutting other taxes in proportion to the new revenues raised through the oil import levy. In *practice the proponents* of the oil tax would prefer to see it used to cut the Reagan Administration's huge deficits.

President Reagan, in his *recent budget, himself proposed* an oil import tax as a "contingency" measure to be introduced in October 1985 if budget deficits were still excessive. The cut in Opec prices gives him a chance to bring this tax forward, deal with the budget deficits more promptly and improve the underlying structure of the U.S. tax system, which raises less money than almost any other in the world through indirect taxes, such as the oil levy.

Because of Opec's current weakness, President Reagan could at present do all this *without imposing any additional* burdens on the American taxpayer or consumer.

The only thing that could prevent him from doing it is a belief that oil prices have somehow been "unnaturally" high in recent years as a result of the machinations of Opec; that this cartel, like any other market distortion, was eventually bound to be destroyed by its own contradictions; that the market is at last taking its revenge on the price-fixers and that nothing must now be done to interfere with the American consumer's right to cheap energy.

To Europeans that may seem a far-fetched illusion. But this is how President Reagan summarised the oil conundrum in a speech three weeks ago: "Over the long run, more realistic *market-oriented oil prices* will spur economic recovery and free vast amounts of real resources that had previously been devoted to energy."

These are certainly not the words of a *hard-core* conservationist who fears that Opec could at any moment make a comeback.

WORLD TRADE NEWS

Hong Kong and China continue talks on joint nuclear plant

BY ROBERT COTTRELL IN HONG KONG

TALKS IN Hong Kong on the nuclear power station proposed for China's Guangdong province are expected to continue for the rest of this week. A delegation from Peking led by Mr Li Peng, vice-ministers for water conservancy and electric power, is *meeting officials of the British* and Hong Kong Governments, and representatives of China Light and Power, the Hong Kong utility which plans to build the 1,800 megawatt station in joint venture with the Guangdong Power Company.

Most of the electricity generated by the plant would be sold to Hong Kong, yielding the foreign exchange needed to service financing costs. The overall cost of the power station, for which a feasibility study was completed in 1980, has been estimated at up to U.S.$6bn.

China Light and Power is a private sector company, one of Hong Kong's two electric utilities. The Hong Kong Government's participation in the present talks derive from the scheme of control which it imposes on local utilities, restricting their profits to a return on fixed assets. The Government plans to retain a merchant banks as financial consultant to advise it on the financial and economic implications for the colony of the new plant.

The Hong Kong Government's move towards a more active role in discussions on the project follow Peking's expression in December of a firm commitment *towards building the Guangdong plant.* But no contracts have yet been awarded, and it is thought in Hong Kong that finalising a finance package may still be some way ahead.

Loans for the plant are expected to take the form of supplier credits. Since these will probably extend beyond 1997, the year in which Britain's lease over most of Hong Kong expires, lenders will have to take a view on the territory's long-term future, in particular its continued capacity to yield convertible currency.

● The south-eastern Chinese port of Amoy plans to build an oil refinery which could initially process and re-export foreign oil, a senior Chinese official said. Jiang Ping, deputy chief of the Amoy Special Economic Zone Management Committee, told Reuters in an interview the refinery would be built on Amoy Island with a capacity of at least 2.5m tonnes a year.

UK signs £64m credits deal with Egypt

BY CHARLES RICHARDS IN CAIRO

EGYPT AND the UK yesterday signed a £64m memorandum of understanding for mixed credits to finance development projects in Egypt.

Of this, £16m will be a grant, the remainder in the form of credits backed by the Export Credits Guarantee Department (ECGD).

The amount was agreed during President Hosni Mubarak's visit to Britain last month. The speed with which the memorandum was prepared reflects the desire of the British Government to help exporters compete in the Egyptian market.

Lord Cockfield, Secretary of State for Trade, who signed on behalf of the British Government, said a technical team would come to Egypt at the end of the month to look at projects within Egypt's five-year development plan.

Egyptian officials say they are especially keen on attracting British aid for a power plant at Mersa Matruh on the northern coast, and waste water projects outside cairo.

Reuter adds: Lord Cockfield's visit follows that of Mr Michel Jobert, the French Foreign Trade Minister who met three Egyptian Ministers earlier this week to discuss bilateral trade and possible assistance for Egyptian development projects.

In talks with Mr Wagih Shindi, Investment Minister, and Mustapha Al-Saeed the Economy and Foreign Trade Minister, M Jobert discussed Egyptian proposals to increase exports to France by 20 per cent, the official Middle East News Agency (Mena) reported.

It quoted Mr Saeed as saying Egypt hoped to export farm products and textiles to France.

Japanese vehicle exports increase

TOKYO — Toyota Motors said it exported 130,715 vehicles in February, up from 129,293 a year earlier but down from 135,268 in January.

Nissan Motors said its February vehicle exports totalled 120,326, up from 118,782 a year before but down from 122,495 in January.

The two major Japanese vehicle makers reported increased shipments to Europe, the Middle East and Latin America but a fall in exports to Africa.

Toyota's February total comprised 83,818 cars, up 6.3 per cent from a year earlier, 45,533 trucks, down 8.1 per cent and 1,364 buses, down 5.4 per cent.

Nissan said its February total included 86,186 cars, up 7.5 per cent, 32,415 trucks, down 11.9 per cent, and 1,725 buses, down 5.6 per cent.

Toyota said it shipped 45,419 vehicles to the U.S., up 1.3 per cent from a year earlier, while Nissan sold 44,518 to the U.S., up 0.3 per cent.

Toyota's exports to the EEC in February totalled 19,606 vehicles, up 65 per cent from a year ago.
Reuter

Contract for £20m Qatar workshop

KENCHINGTON Little International of the UK has been appointed lead consultant for a £20m workshop complex for the Mechanical Equipment Department of the Government of Qatar. The department is part of the Ministry of Public Works and is responsible for servicing and maintaining government vehicles.

The complex, being built on the Salwa Road industrial estate, is scheduled for completion early in 1985.

Saudi building orders for South Koreans

SEOUL—Keangnam Enterprises of South Korea has won Saudi construction contracts worth $534m, Keangnam officials said.

They comprise contracts worth $362m for houses for the national guard and public facilities, including a school,
Reuter

Kenneth Gooding reports on a debate at the Geneva Motor Show

Car makers upset by Swiss pollution laws

BL's MINI can no longer be sold in Switzerland.

The little car, which in its heyday in the late 1960s was selling at the rate of 9,000 a year in Switzerland, is one of the victims of that country's new anti-pollution laws.

Last year Mini sales, at 265, accounted for a useful 10 per cent of Austin Rover's total registrations in Switzerland, helping cover some overhead costs.

The Mini is by no means the only car affected by the Swiss regulations. Nearly every manufacturer is having to reduce the number of models offered there. For example, Ford is reducing from 13 to five the number of engines in its cars for Switzerland.

So when the European motor industry executives met for their annual jamboree at the Geneva Motor Show the question of the Swiss regulations loomed large.

But the debate widened to the much more important topic of the impact of the environmental lobby on cars of the future.

Not surprisingly, the German companies had the most to say. After all, the Germans tend to dominate the European motor industry and the rise of the environmentalist Green movement in Germany has had a substantial effect on politics there.

The new Swiss regulations are designed to diminish the noxious emissions from car exhausts, are based on 1974 Californian rules and are more or less in line with those in Sweden.

European customers wanted higher fuel economy, but not at the expense of lower performance

Critics suggest the Swiss go-it-alone policy only causes more fragmentation of European automotive rules and regulations at a time when a great effort should be made to pull the all into line. They also point out, with some justification, that at the height of the tourist season two thirds of the cars on the Swiss roads will be registered outside the country and polluting as badly as before.

What really concerns the industry is that in 1986 the Swiss regulations will be tightened. To meet the reduction in exhaust gas emission required, the industry would have to employ emission control technology with catalysers which must be based on the use of lead-free fuel.

At the Show, Prof Werner Breitschwerdt, research and development board member for Daimler-Benz, enumerated the consequences of the use of exhaust gas catalysers.

"The use of lead-free fuels raises the fuel and vehicle costs, leads to higher energy consumption and higher wear of valves and valve seat rings." (In other words, both the cost of cars and servicing costs would rise.)

Volkswagen's head of research, Dr Ulrich Seiffert, stressed the importance of the issue. He pointed out that the European customers were unwilling to give up dynamic performance from their cars — the 0—60 mph in ten seconds syndrome — as was shown when the industry fought to improve fuel economy after the oil shocks of the 1970s. Customers wanted higher fuel economy — but not at the expense of lower performance.

While the industry was able to meet the demand for maintained performance yet improved fuel consumption, its researchers say that car performance simply must suffer if catalysers are used because of a switch to lead-free fuel.

Dr Karlheinz Radermacher, research and development board member at BMW, offered what he believed was an acceptable short-term solution for all concerned — environmentalists, customers as well as manufacturers.

"We could offer vehicles in Europe which meet the U.S. standards for exhaust emissions. The technology used there provides a good compromise between nitrous oxide exhaust gas, costs and consumption," he said.

Dr Radermacher suggested governments could help keep down the cost of the change by compensating for the additional price of the catalysers with a reduction in the various taxes on cars. And taxes, like those in Germany which are levied on larger engines should be abolished for vehicles meeting environmental regulations.

He suggested that if the BMW suggestion was to work satisfactorily lead-free fuel would have to be offered all over Europe — including the Eastern bloc countries; that exhaust gas standards had to be made uniform all over Europe without intermediate steps; that the octane content of lead-free fuel should be kept at the present level; and that cars imported from countries not using the new standards should be forced to fulfil them anyway.

It remains to be seen how the rest of the industry will react to BMW's proposals but first soundings at the Show suggested that the group has a long way to go to convince its rivals.

K. K. Sharma in New Delhi looks at fluctuations in exports to the Eastern bloc

India re-assesses Comecon trade links

FLUCTUATIONS in the movements of goods from India to its Comecon trading partners are forcing New Delhi to re-examine the value of its bilateral trade with the Soviet Union and its satellites.

The question of how advantageous it is to trade with the Comecon nations arises after several years of numerous bilateral accords, revolving around the increased shipments of Indian commodities and goods to East bloc customers in exchange for plant and equipment and defence material.

In fact, India and the Soviet Union currently are in advanced negotiations on a textile deal involving creation in India of vast textile production capacity specifically to meet Soviet market needs. The deal is expected to be signed sometime this summer.

Comecon countries now account for 25 per cent in value of all India's annual exports of more than Rs 60bn (£4bn). They rely on India for supplies of a number of consumer goods including clothes, shoes, tea, cashews and cigarettes.

The advantage of such trade to both sides is that it is largely done on a barter basis, arranged through annual agreements between India and individual Comecon countries. This in effect, enables the countries to get round their chronic hard currency problems, and any imbalance is settled through temporary "technical credits." This is especially the case with India's trade with Russia, although there is an increasing use of hard currency by Romania and Czechoslovakia in acquiring Indian goods.

While Indian exports to Comecon have risen five-fold in the past decade — to Rs 14.8bn (£980m) in 1980-81 from Rs 36bn (£240m) in 1970-71 — trade officials in New Delhi are concerned at the wide and inexplicable fluctuations in purchases of narticular products.

Because some Comecon countries do not import some of the items accounted for in bilateral accords, export planning by India is made difficult, particularly as many of these items are specifically prepared for shipment to East Europe.

This year, the Soviet Union has suddenly stopped buying cashew kernels, causing distress among growers. In the case of tea, after reaching a record level of Rs 15bn in sales in 1977-78, there was a sudden drop to just Rs 3.8bn a year later. Other commodities, such as coffee pepper and jute have suffered in the same way.

The export planning problems extends to the lack of market information in Comecon countries, a factor that severely hampers the degree to which export promotion can be organised as it is in the West.

Indian trade officials are also disturbed at reports that many East bloc trading partners are deflecting supplies from India—obtained on a barter basis—to Western Europe where they are being sold for hard currency. This kind of "switch trading," as it is known, is not unusual. What concerns India is that its goods are being used to earn hard currency for others at a cost to itself.

If the scale of such trade abuse is found to be substantial, it could seriously jeopardise growth of Indo-Comecon trade.

New Delhi is quick to point out that the object of its concern is the improvement in trade links, not their reduction.

Despite disruptions to the trading pattern, India generally is in surplus despite reliance on Russia for arms, oil and machinery. It finds that prices obtained for its goods are often higher within Comecon than on Western markets. The unit value of tea has been worked out at Rs 19,016 a tonne from Comecon buyers compared with Rs 17,630 from other countries; raw jute obtains Rs 4,390 a tonne in Comecon compared with Rs 2,320 a tonne elsewhere and cotton yarn has a Comecon market value of Rs 38,760 a tonne compared with Rs 24,200 outside, but the surplus begs the question of what it can buy with these favourable returns.

A recent study of Indo-Comecon trade has found that bilateral turnover, — while accounting for one quarter of India's exports, is just a fraction of the total foreign trade of the individual East bloc countries. India's share of total Russian trade is just 2.19 per cent; it is 0.67 per cent for Poland, 0.44 for Czechoslovakia, 0.37 for Bulgaria and 0.35 for East Germany.

Observers note that with India goods taking such a small market share in these in these countries the growth potential for exports is high. It is this factor, combined with the government policy of keeping a strong hand in the East bloc as a counterbalance against excessive reliance on the West, that precludes any likelihood of a lessening of India's trading activity with Comecon.

UK NEWS

British Telecom's borrowing pruned by almost £200m

BY JASON CRISP

THE GOVERNMENT has cut British Telecom's borrowing powers for the coming financial year by nearly £200m. The move comes after a substantial cut in the estimated cost of BT's capital investment programme and a major undershoot of its borrowing needs in the financial year which ends this month.

In the present financial year, BT is expected to reduce its borrowing, even though it had an external financing limit (EFL) for the year of £320m. Capital expenditure in the year is estimated to be £1.59bn compared with £1.93bn which had been expected at this time last year.

Similarly, capital expenditure for the next financial year has also been revised downwards. In November, BT was given a revised EFL of £96m, after taking into account changes in the National Insurance Surcharge. Yesterday the Government said that BT's new EFL would be minus £100m.

Capital expenditure in the next financial year is now expected to be £1.72bn compared, with £2bn originally thought.

BT has given a warning that the negative EFL of £100m would mean there would definitely be a tariff increase this year. "Much depends on the overall performance of the economy and its effect on our rate of growth."

But it was emphasised that the reduction in its borrowing powers would not mean a cut in BT's extensive modernisation plans. The reasons for BT's lower capital needs are the slower than expected growth in the network because of the recession and the falling cost of much telecommunications equipment because of the lower price of microelectronics.

BT said of the new borrowing level: "This is clearly a stretching target, given our commitment to hold prices steady until at least July, and that any increase thereafter should be no greater than the 3.3 per cent average originally proposed for last year."

Littlewoods cuts 1,900 jobs

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE LITTLEWOODS Organisation – the largest privately owned company in Britain – yesterday announced it was cutting its workforce by 1,900.

The company, whose activities include chain stores, mail order and football pools, announced a trading loss for its retail activities in 1982 of £1.1m (compared with £3.2m profit in 1981) on sales up by 10 per cent to £1.2bn.

Littlewoods does not disclose the revenue from its pools operations, but profits from its pools and other non-retail activities came to £10.9m last year compared with £9.3m in 1981. Total group pre-tax profits fell by a fifth last year.

The jobs cuts are a result of Littlewoods' problems in coping with the slump in consumer spending during the recession. Management consultants have been reviewing the company's operations.

Largest job losses will be made in the mail order division and will mean some 800 redundancies at 45 sites throughout the UK. The 110 chain stores will shed 600 jobs, while the headquarters in Liverpool will lose 500 jobs. The pools operation, which has separate headquarters, is not affected by the cuts.

The Union of Shop Distributive and Allied Workers, said it was "shocked and distressed" at the cuts and said they were likely to be resisted strongly by Littlewoods staff.

Mr Philip Carter, group managing director, said the company had delayed its decision while waiting for an economic recovery. "That upturn has not come and we can now delay no longer," he said.

Industrial output stays flat

INDUSTRIAL production in the UK was little changed in January compared with its level in December.

The index of total production rose by 0.2 points to 102.4 (1975 = 100). However, there was a sharp rise in the narrower measure of manufacturing output. This index went up by 2.5 per cent from a depressed level at the end of last year.

This rise was well in line with the increase in consumer spending at the end of last year. There was also a sharp rise in imports in January which led to some speculation that stocks were being rebuilt.

Ford drops rallies

FORD has scrapped its plan to return to world championship motor rallying. "We shall be back, but not with the cars we have under development at the moment," a spokesman said. Last week, Jaguar announced its return to motor sport in its drive to recapture European sales.

Rank Xerox cuts

RANK XEROX is to cut the workforce at its main UK factory in Mitcheldean, Gloucestershire by a further 500 and said further reductions might have to be made before the end of the year. Jobs at Mitcheldean have been cut by more than 2,000 over three years.

New £5m Esso plant

ESSO CHEMICAL has announced plans for a £5m speciality chemical plant at Fawley, near Southampton. The plant, due to be completed next year, will produce chemicals for use in manufacturing and refining petroleum products.

UK NEWS

German company's claim to Krugerrands will now be heard

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A *WEST GERMAN company* has won the first round of its battle with the UK Government before the *European Commission of Human* Rights over 1,500 smuggled Krugerrands – currently worth about £436,000 – seized by Customs officers at Dover in 1975.

The Commission has declared admissible for full consideration on its merits a claim by Allgemeine Gold- und Silberscheideanstalt, a Pforzheim gold and silver refining company, that the Customs' refusal to release the Krugerrands, of which the company claims to be the legal owner, is a violation of property rights guaranteed by the European Human Rights Convention.

Customs officers found the Krugerrands *in a car's spare tyre.* Three men were subsequently convicted under the 1952 Customs and *Excise Act of fraudulently* attempting to evade a ban on importing gold coins.

Two years later Allgemeine Gold began legal proceedings in England against the Customs, claiming to own the Krugerrands which, it said, it had been induced to part with by the fraud of two of the three convicted men.

The claim was rejected in the High Court and the Appeal Court, and Allgemeine Gold was refused leave to appeal to the House of Lords.

The courts rejected the company's argument that EEC law and the Human Rights Convention entitled it to the Krugerrands.

Announcing its decision yesterday to investigate Allgemeine Gold's complaint, the Commission said the company alleged that the Customs' refusal to release the coins violated Article 1 of the first *protocol to the Convention.*

Ford plant votes for 'indefinite' stoppage

Financial Times Reporter

THE WEEK-LONG unofficial strike which has halted all Escort car production at the Ford works at Halewood, Merseyside, is to go on "indefinitely."

About 3,000 of the 4,500 men on strike from the assembly plant voted at a closed mass meeting yesterday to accept the shop stewards' recommendation to stay out.

The vote was said to be overwhelmingly in favour.

The strike began after the dismissal of a worker for allegedly damaging an unfinished car and has so far cost the company output of 5,000 Escorts worth more than £25m. Mr Bill Maguire, plant convenor, said the strike would last until the sacked worker was reinstated.

● All 4,400 hourly paid workers at *Vauxhall's factory* at Ellesmere Port, Cheshire have now voted to lift their ban on the Spanish-made Opel Corsa which the company hopes to sell in Britain next month. Yesterday, 2,200 engineering union members defied their shop stewards' recommendation and voted to end the ban.

Vauxhall workers are now split on the issue. Nearly 10,000 workers in Luton and Dunstable factories have voted to retain the ban. Shop stewards there say the Spanish-built car threatens the jobs of British workers.

At *Ellesmere Port, however,* where 4,100 workers have been made redundant in the past three years, a management peace plan has been accepted.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCK DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCK ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON WEDNESDAY, 16th MARCH 1983

PARTICULARS OF AN ISSUE OF £1,100,000,000

10½ per cent EXCHEQUER CONVERTIBLE STOCK, 1986

SCHEDULE OF PAYMENTS:

Amount paid on issue	£25.00 per cent
Amount payable on Friday, 29th April 1983	£40.00 per cent
Amount payable on Monday, 23rd May 1983	£33.75 per cent

INTEREST PAYABLE HALF-YEARLY ON 19th MAY AND 19th NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

£1,000,000,000 of the above Stock has been issued to the Bank of England on 14th March 1983 at a price of £98.75 per cent. The amount paid on issue was £25.00 per cent. The amount payable on 29th April 1983 will be £40.00 per cent and the amount payable on 23rd May 1983 will be £33.75 per cent. The balance of £100,000,000 of the Stock has been reserved for the *National Debt Commissioners* for public funds under their management.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 19th May and 19th November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be due on 19th November 1983 at the rate of £5.9676 per £100 of the Stock.

Holdings of 10½ per cent Exchequer Convertible Stock, 1986 may, at the option of holders, be converted in whole or in part into 10½ per cent Treasury Stock, 1999, as on the following dates and at the indicated rates:—

Date of conversion	Nominal amount of 10½ per cent Treasury Stock, 1999 per £100 nominal of 10½ per cent Exchequer Convertible Stock, 1986
19th May 1984	£97
19th November 1984	£95
19th May 1985	£93
19th November 1985	£91

Amounts of 10½ per cent Treasury Stock, 1999 issued in order to meet the exercise of the above options to convert will rank equally in all respects with amounts of the stock already issued under the terms of the prospectus dated 16th December 1977. Notices setting out the administrative arrangements for the exercise of the options to convert and forms of acceptance for completion will be issued to holders at the appropriate times. Where a holding is held jointly by more than two holders options to convert may be exercised by a majority of them.

Completed forms of acceptance in respect of each of the options to convert, accompanied by certificates of title for holdings of 10½ per cent Exchequer Convertible Stock, 1986, must be lodged at the Bank of England, New Change, London, EC4M 9AA, or at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 *Callender Street, Belfast,* BT1 5BN, *not later than 3.00 p.m.* on the fifth working day before each date of conversion.

Her Majesty's Treasury have directed that Section 326 of the Income and Corporation Taxes Act 1970 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities made in pursuance of the conversion offer.

Holdings of 10½ per cent Exchequer Convertible Stock, 1986 in respect of which options to convert have not been exercised will be repaid at par on 19th May 1986.

Until payment in full has been made and a completed registration form submitted to the Bank of England, the Stock will be represented by letters of allotment.

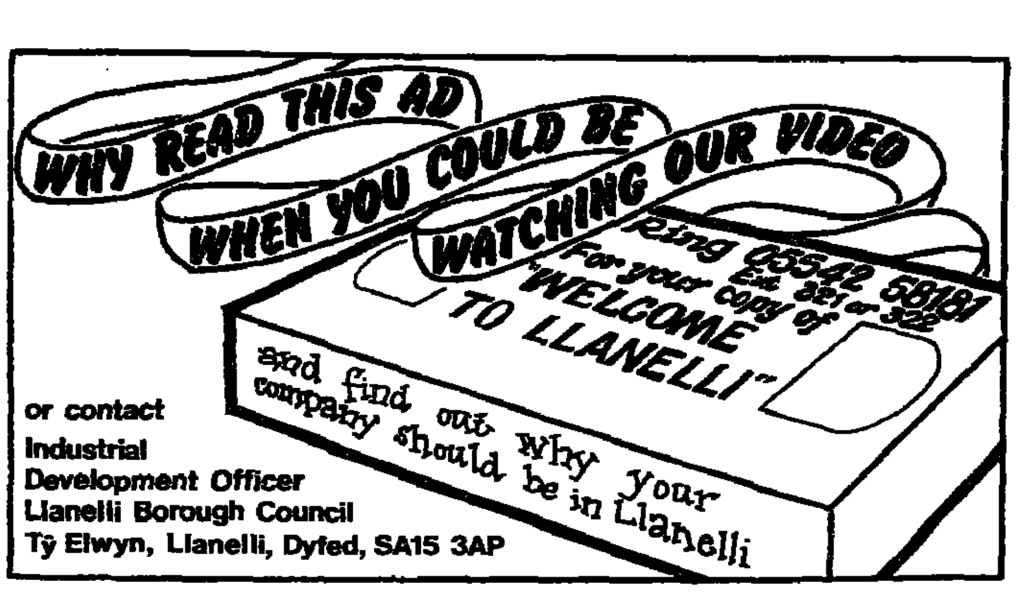
Payment in full may be made at any time prior to 23rd May 1983 but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any *amount previously paid liable to forfeiture.*

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or by any of the Branches of the Bank of England, on any *date not later than 19th May 1983.* Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any instalment payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a *completed registration form, when the final instalment is paid, unless payment* in full has been made before the due date, in which case they must be surrendered for registration not later than 23rd May 1983.

Copies of this notice and of the prospectus dated 16th December 1977 for 10½ *per cent Treasury Stock, 1999 may be obtained at the Bank of England, New* Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow, G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; at Mullens & Co., 15 Moorgate, *London, EC2R 6AN; or at any office of The Stock Exchange in the United* Kingdom.

BANK OF ENGLAND
LONDON
14th March 1983



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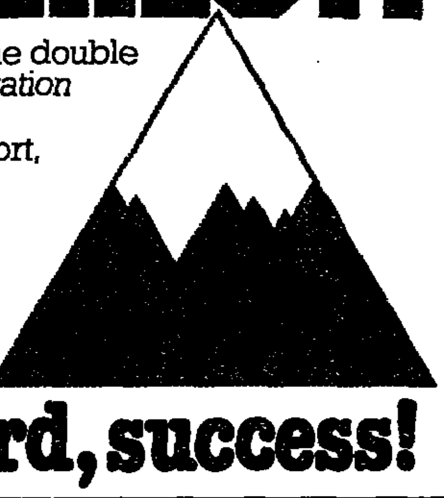


Washington. In a word, success!

This is the age of the train

Lloyds Bank
Interest Rates

Lloyds Bank Plc has reduced its Base Rate from 11% to 10·5% p.a. with effect from Tuesday, 15th March 1983.

Other rates of interest are reduced as follows:
7-day-notice Deposit Accounts and Savings Bank Accounts – from 8% to 7·5% p.a.

The change in Base Rate and Deposit Account interest will also be applied from the same date by the United Kingdom branches of
Lloyds Bank International Limited
The National Bank of New Zealand Limited

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS.

BANK OF SCOTLAND
Base Rate

The Bank of Scotland intimates that, with effect from 16th March 1983 and until further notice, its Base Rate will be decreased from 11% per annum to 10½% per annum

LONDON, BIRMINGHAM, BRISTOL & MANCHESTER
OFFICES—DEPOSITS

The rate of interest on sums lodged for a minimum *period of 7 days or subject to 7 days' notice of withdrawal* will be 7½% per annum, also with effect from 16th March 1983.

هكذا صدر الأصل

Letters to the Editor

Visiting the cinema can be very depressing

From Mr M. McKeand

Sir,—Mr Arthur Sandles' article (March 9) about the decline in British cinema audiences did not mention one decisive factor — that however good the film may be that one goes to see, a visit to most British cinemas can be a deeply depressing experience.

The main film usually starts more than an hour after the advertised programme time. During this period the audience has to sit through an often abysmal short, selected by the distributors without any concern for the subject matter of the main film. These films qualify for "Eady relief" and if shown with a popular feature can make large sums of money for the distributor while boring the audience into total paralysis. Then there are trailers for other films showing at the cinema, and "forthcoming attractions." Advertising shorts often exquisitely and expensively made but which do not change from one month to another. Slides extolling the local Indian restaurant. And at least one "intermission" of ten to fifteen minutes, only ending when the last ice cream and the last bag of popcorn has been sold.

I have been told that without advertisements and ice cream sales, cinemas could not survive—but I cannot understand, in this case why, in New York, where cinemas do not show advertisements and ice cream is only sold outside the cinema, seats are cheaper than in London.

Cinemas are uncomfortable places. I recently saw "Privates on Parade" during a snowstorm in a completely unheated and almost deserted cinema, and have seen rats in a West End "showcase" cinema. Although some cinemas have "No smoking" sections no serious efforts are made to enforce the rules. Children running around in front of the screen, and people throwing lighted cigarettes at it produce no protest from managers, who only appear to bully the queues which stand outside cinemas in the rain ("Do not obstruct the foyer") on the very rare occasions when demand for tickets exceed supply.

I am fortunate in living in an area where there are several well run independent cinemas within easy reach. No ads, only selected shorts, no ice cream sales. Just films. If it were not for them I'm sure I would have battened down the hatches and joined the millions of others who get their screen entertainment through their video systems.

Martin McKeand.
Flat 3,
56, Fitzjohns Avenue, NW3.

From Mr A. Morton

Sir,—Perhaps more people might be tempted back to the cinema, if cinema owners knew of the feelings of many of their customers.

Today people go to the cinema as an event, to see a film which they have a particular wish to see. From the opinions voiced they don't enjoy the very poor second titles or the trailers.

Can we not just see the films please?

A. R. Morton.
The Barley Mow,
Barley Mow Lane,
Lower Knaphill,
Nr Woking, Surrey

From Mr W. Olins

Sir,—Films are popular, says Mr Sandles (March 9) but cinemas are not. He wonders why? The answer is that cinemas are depressing, dirty, crumbling relics.

There is clear evidence that when a cinema is well designed, properly promoted and develops a consistent programme of good films, it is successful. The Screen on the *Hill*, an art cinema house in Hampstead, is attractive, clean, comfortable and you can book seats. It has been, since its inception, a roaring success, so is the Curzon in Curzon Street.

Is there a moral here for Rank and Thorn EMI?

Wally Olins.
22 Dukes Road, WC1.

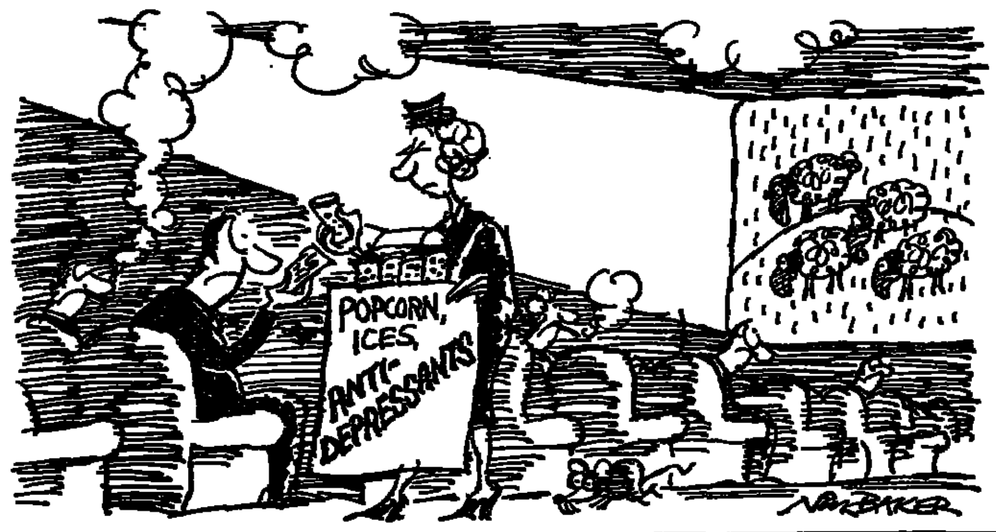
From Mr M. Wolfman

Sir,—The article (March 9) on the parlous state of the British cinema industry seemed to suggest that a turnaround in the fortunes of the industry could only come about through an improvement in the quality of commercial film production. Obviously, there is always room for higher quality and better entertainment from the film producers. It is clear, however, that, given the strictures that the film production part of the industry imposes on its creative people (lack of finance, inflated star fees, overmanning on film sets etc), one can only praise the level of creativity and entertainment that most film makers can give.

The real enemies to the success of the film business are the major film exhibitors who have failed abysmally to market or develop a cinema concept that has mass audience appeal. Commercial films by definition, have popular appeal, but it is the exhibitors that have turned people away in droves, to the TV screens and into the video market. TV viewer research proves conclusively that there is a healthy market for films.

Lack of investment at the exhibition end of the industry has resulted in poor service to the public by staff; out-of-date and tatty decoration in the cinemas; the showing of over-used and badly scratched film prints, and very little in the way of ancillary leisure services such as well stocked bars, cafe/fast food concepts, small scale art/photographic/poster exhibitions which give atmosphere and vitality to the total experience of going out for an evening's entertainment. All of this results in a very uncomfortable experience for the consumer, which in most cases will never be repeated. Is it not about time that the exhibitor chains paid some serious attention to the aggressive marketing of their own bricks and mortar, instead of looking for the faults for decline elsewhere?

Matthew Wolfman.
60 Trentham Street,
Southfields, SW18.



Comparing coal mining costs in Europe

From Mr P. Wright

Sir,—In your editorial of March 7 you say that the British coal industry is a high cost producer, an assertion that seems to have gained a degree of popular credence. The facts, however, reveal the opposite. According to National Coal Board accounts the cost of coal mined in Britain in 1981/82 was £41 per tonne compared with £45 in France, £47 in West Germany and £61 in Belgium. And this comparison was made at a time when sterling was grossly overvalued. Moreover, direct production aid to the British coal industry was, at £3.70 per tonne, way below that received by these European competitors: Belgium received as much as £25.50, France £11.90 and West Germany £10.90. These subsidy differentials widen substantially if social aid is also included. Of course it is always possible to present the coal industry as a high cost producer if it is compared with open-cast mining in the U.S. or Australia where costs per tonne are generally around half that for deep-mined coal, but this ridiculous line of argument leads logically to the conclusion that Britain should not really have a coal industry at all, apart from a few open-cast workings.

Two further points are worth noting. The Lewis Merthyr colliery did not figure among the list of the top 30 loss-making pits in 1981 which you published on November 3 last year. This either implies that Lewis Merthyr has been unjustly selected for closure or that its position changed markedly during 1982. If the latter is the case it just goes to show how rapidly a pit can become "uneconomic," and, by implication, how quickly it might become economic again. All pits are reviewed once every three months and can reveal large differences in performance as unanticipated geological problems crop up or as a new face is opened up, for example.

Some of the media have tended to give the impression that the miners have so far been insulated from the effects of the recession and have done their best to make Mr Scargill appear paranoid with his claims about hit lists, etc. In fact the NCB has already cut its workforce by 27,000 over the past three years, or the equivalent of shutting 27 average-sized pits. At this apparently unobtrusive rate of progress, a further 70,000 jobs would indeed be lost before 1990.

Behind the scenes, British miners have suffered a severe run-down and dislocation of their industry since the 1950s with great forbearance. It is high time that they were rewarded with an energy policy to be consistently adhered to whichever government is in power, affording them a degree of security and us some certainty about the availability of an important component of our energy supplies into the future. Coal faces problems of production and planning analagous to agriculture and yet is not afforded the same kind of treatment. There is no objectively "rational" solution to the problems of the coal industry in isolation, as you seem to suggest in your editorial of March 10.

The problems of the coal industry cannot be divorced from the malaise of the economy in general. Until there is a serious attempt to deal with the latter the coal industry may, like other industries, become more "competitive"; but it will probably lack the capacity with which to compete.

Philip Wright,
University of Sheffield.
85 Wilkinson St., Sheffield.

A code of practice for recruitment

From the Managing Director, Webb-Bowen International

Sir,—I was interested to read the two articles (February 3 and March 3) by Michael Dixon regarding the ethics of recruitment. It always seems to me that ethics is a rather high flown word, more related to Plato and Aristotle than the everyday work of a modest consultant. I feel that a "code of practice" seems a better way of talking about this whole subject.

I noted that the majority of so-called "leading" headhunters have not put their names forward. I don't know whether this is deliberate and follows the practice of the Association of Executive Recruitment Consultants in New York, which broke up in disarray last year, because the large executive search companies found themselves paying the greater part of the fees of the association, and were at the same time supporting the "cowboys" (whatever this word means) of our industry.

There was a discussion in London last June about whether the feeling was for or against an association. Quoting the American experience, the majority felt that it was not yet time to start one. I felt that it was an excuse to avoid starting something that must inevitably happen in the future. Any professional body today needs an association at its centre.

I was interested to see right at the end that Michael Dixon started to mention a code of practice towards the client. There would not be much business for us consultants if we did not behave properly towards him in the first place.

Michael Webb-Bowen.
27a, James Street, WC2.

Vigorous and healthy

From the Managing Director, Amdahl (UK)

Sir,—On March 10, you published an article by Louise Kehoe which stated that my company—the Amdahl Corporation—is "floundering." You also published our stock price under the American listing which correctly shows our stock to be very near its highest level in the 1982-83 period and more than double its lowest point in this period. Does this give Louise Kehoe any food for thought?

She also states "The PCM's have also been involved in several alleged trade secret thefts. . . ." You were kind enough to publish a letter from us last August dealing with that issue, but I must now state again that my company has not stolen secrets and was not involved in the cases which are referred to.

The reality of our situation is that our business is vigorous and healthy, with a very good 1983 in prospect. Our products are in excellent shape and our order backlog is strong.

B. M. Little.
29-31 Lampton Road,
Hounslow, Middx.

Disappointed by a bank

From Mr J. Wright

Sir,—In December I was impressed by the extensive advertising campaign by Lloyds Bank to attract young savers (aged up to 16). I tried to open an account but was told that no "attractive folder" was available. A month later, after many inquiries, I wrote to the branch manager who then suggested I could open an account without the young savers' account folder. This I did.

I was told by the manager that a previous promotion had also been greatly underestimated. It is obvious that Lloyds Bank has not learnt from this experience, and three months since my first inquiry supplies are still unavailable.

As this was the major feature aimed at attracting youngsters to the scheme, there must be many of us who are disappointed and disillusioned as to the efficiency of banking and of industry to supply straightforward material.

J. Wright.
108, Randolph Avenue, W9.

Politics in Bangladesh

From Mr A. Duffy

Sir,—Moudud Ahmed, former deputy Prime Minister of Bangladesh, was sentenced on March 9 to a 10 year term for "abuse of power while in office" by a special martial law tribunal in Dhaka. The judgment has not yet been made public, pending its formal ratification by Lieutenant General Ershad, head of state.

Friends of Bangladesh will be deeply saddened by this latest sign of instability and rash decision-making by the present martial law regime. Mr Ahmed has many friends in the West, but his best work was obviously reserved for his own country where he is widely seen as a staunch proponent of modern management methods in government and of a full and free democratic process in bringing politicians to power.

By jailing Mr Ahmed on what is apparently very flimsy evidence the Government is showing that it is unwilling to work with all sectors of the country. Bangladesh is desperately poor but actually has real hopes for sustained development. It obviously can ill afford to go around jailing democratic and capable politicians solely because they are opposed to military rule.

Readers will know how important it is that a leadership team have clear goals and yet be able to incorporate into its strategy good ideas from all quarters. On that basis Bangladesh is sadly failing.

Alex Duffy.
105, Speed House,
The Barbican, EC2.

Poorly displayed Greek works of art

From Mr T. Hughes

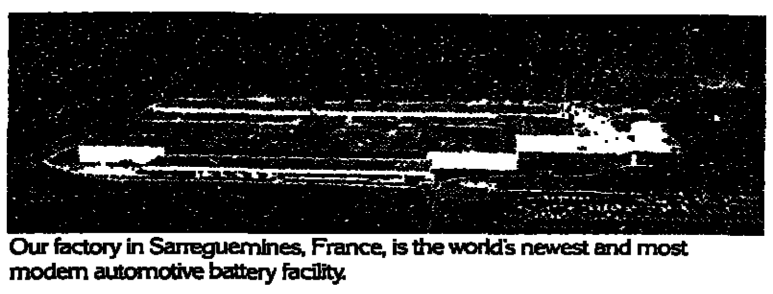
Sir,—I was delighted to read (March 8) that the Elgin Marbles will stay in the UK.

Madame Mercouri should devote her efforts to putting Greece's museums and national airline in order, so that the public can see what Greece has in hand, rather than seeking the return of collections so beautifully displayed in the entire world.

For two years in succession we have tried to view the famous Thera/Santorini frescoes in the Athens Museum—to no avail. Snail-paced "restorations" may take six more years, according to a museum attendant, with no work being visibly done at the moment. Attempts to visit the island of Thera/Santorini, even with confirmed air tickets, may be futile; we were unceremoniously bumped last year when, coincidentally, Madame Mercouri organised a tour of the islands for visiting dignitaries.

The Athens Museum is a clutter of beautiful pieces badly displayed—many crowded into badly-lit showcases without any identifying labels whatsoever. At the Delphi Museum one room has been roped off to the public for years, without any explanation. Greek museums and archaeological sites have an inexplicably short day—closing at 2 pm or 3 pm.

Thomas Hughes,
41 W. 72nd St.,
New York, NY.



THE MANAGEMENT PAGE

American Express

The changing face of a financial giant

BY WILLIAM HALL AND PAUL TAYLOR

"WHAT a bunch of tigers," is how one Wall Street investment banker summed up the recent news that American Express had persuaded Edmond Safra, reputed to be worth close to $1bn and one of the world's wealthiest bankers, to sell half his banking empire and go to work for the company.

The $550m acquisition of Safra's Trade Development Bank Holding, which was completed at the beginning of this month, came only 18 months after the $930m takeover of Shearson, Loeb, Rhoades, America's second biggest brokerage firm, and is the latest in a series of bold strategic moves aimed at transforming Amex into the biggest and most successful "one-stop" financial services company in the world.

It has already gone further than companies such as Merrill Lynch, Sears Roebuck/Dean Witter, Citicorp and Prudential/Bache with its plans to create a "financial supermarket." This is a single company which provides a wide, if not full, range of financial services such as banking, insurance and share brokerage under one roof. Financial supermarkets—albeit in an embryonic form—have become a major trend within the last 18 months in the U.S. financial industry, partly as a result of de-regulation.

American Express is already a household name around the world which gives any financial product it markets a tremendous headstart. In theory the possibilities for cross-selling products are enormous. Reflecting this, last month American Express appointed Aldo Papone vice chairman of its travel-related services division to lead a company-wide marketing effort to identify products and ways to sell them through multi-layered divisions.

Yet the concept of the financial supermarket, on which American Express is staking so much has yet to be proven. A number of flaws and weaknesses are beginning to emerge in the strategy. The following are the most visible:

● Amex is competing increasingly with financial institutions which are outlets for its products, such as travellers' cheques and already there have been a few skirmishes between the company and European banks. Dee Hock, head of Visa International, a rival credit card and travellers' cheque organisation (96.7m cardholders worldwide as against Amex' 15m), notes that "if banks continue to be agents for American Express cards and travellers cheques they richly deserve the loss of their business (deposits)."

● Amex's recent growth has been marked by high senior executive turnover underlining some of the personality and management tensions lurking beneath the surface. Since Jim Robinson took over in 1977 as chairman and chief executive the group has had three presidents in the number two position. The American Express International Banking Corporation (AEIBC), a division of American Express has had three chief executives and will soon have a fourth: Edmond Safra who is destined to take over soon. Over the past few months the heads of two of the group's other key divisions, Fireman's Fund and Warner-Amex, have also been changed.

● The wisdom of some of Amex's recent diversifications has still to be proved. The $175m purchase of a half-share in Warner Communications cable subsidiary is the most obvious example. Warner Amex is a gesture of faith in a highly competitive market but there is some doubt as to how long Amex will be prepared to put up with its only subsidiary to lose money. Amex won't say how much, but analysts put the 1982 loss at about $40m.

● The acquisition of the non-U.S. parts of Safra's Geneva-based empire has also raised some eyebrows among rival bankers and not just because of the fancy price paid. Safra retains control of the New York-based Republic National Bank which operates in similar markets and caters for the same sort of client that Amex has its eye on—the wealthy individual. The potential for conflicts of interest is enormous.

Nevertheless, the transformation of American Express, which has 62,800 employees worldwide, over the past three years has been extraordinary. In 1980 its business was centred around its traditional travellers cheques (where it has around 45-50 per cent of the world's $35-$40bn market) and charge card operations (which together contribute over 40 per cent of group profits); an unprofitable chain of 1,000 travel offices in 126 countries around the globe; and a bank, AEIBC.

In addition, another division was Firemen's Fund, an insurance company acquired in the late 1960s, which provided just over half the group profits but was run at arms' length from the rest of the group.

Management morale had taken a battering following several unsuccessful flirtations with diversification. The Book-of-the-Month Club, Philadelphia Life Insurance, Walt Disney and McGraw Hill had all been considered at one time or another as possible diversification moves but for various reasons dropped.

But when James D. Robinson III (Jimmy three sticks) found his stride, acquisitions came fast and furious. A half share in Warner Amex took the group into the fast growing, if unprofitable, world of cable TV. Then the purchase of First Data Resources, one of the largest independent providers of data base services to financial institutions, turned Amex into one of the biggest processors of bank transactions in the world.

Shearson/American Express gave Amex the muscle to compete with Merrill Lynch, the brokerage industry leader, and the acquisition of Trade Development Bank has catapulted the group into one of the top positions in the world of private banking; TDBH caters for wealthy individuals and its list of depositors is the envy of bankers the world over.

This rapid diversification has been accompanied by an equally impressive earnings growth record which has been unbroken over the last 35 years. In 1982 Amex's operations earned $581m on revenues of $8.1bn. Over the past year its shares have risen twice as fast as the Wall Street average. Its success was symbolised last autumn when American Express shares were added to the Dow Jones Industrial Average, the only non-industrial financial services group in the index.

Amex's own executives survey this record with great confidence. The company's mission is grandiose, but to the point, Amex should aim "to deliver services that help customers to manage and utilise their financial assets better and to enjoy more secure, convenient and satisfying lives at home and when they travel."

Executives point to areas of symmetry between the various businesses. The "float" of the travellers cheque operation—interest-free funds provided by uncashed cheques—for example, helps finance the charge card activities. This, the company says, is typical of the way the various group companies are "mutually supportive."

But rivals are sceptical. George Ball, head of Prudential-Bache Securities Inc, said in a speech in New York this month that "the entire notion of a one-stop financial shopping centre will be discredited." He argues that convenience is not as important as quality and this means there will be a role for the specialist financial institution.

Robinson is unimpressed with this kind of criticism. And he stoutly defends the Warner-Amex deal, describing it as a "tremendous acquisition." Other senior executives, however, are more guarded in their enthusiasm for the project, not least because last year Warner Amex was forced to increase its credit with various banks to $800m. By 1985 the company is expected to have spent $1bn.

The continuing losses have prompted rumours that senior executives of both companies are growing impatient with the losses and high costs. Although these suggestions have been strongly denied a number of changes have been made recently of which the most significant was the appointment of Drew Lewis, the former U.S. Transportation secretary, to replace Gustave Hauser, a cable TV pioneer as the head of Warner-Amex. Lewis has now taken on the role of president of Warner-Amex in the wake of John Lockton's resignation last weekend.

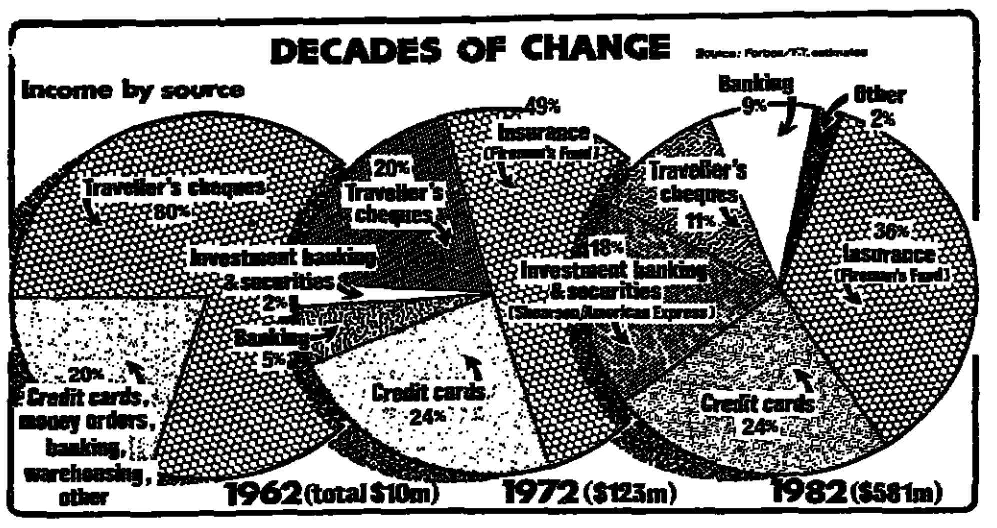
For the time being the investment in Warner Amex remains an act of faith. Should the management changes and new emphasis on cost control fail to stem the losses, Amex might be forced to reconsider its involvement. There must be doubts over whether Robinson could survive such a radical reversal.

Indeed it is the potential for boardroom fireworks between the 47-year-old Robinson and the 49-year-old Sandy Weill, chairman and chief executive of Shearson (very much the junior partner in the merger), which some critics have suggested could prove to be Amex's weak spot.

Robinson says he has no fear of a palace coup. He prides himself on promoting strong men to the top corporate jobs and sees his role as a kind of boardroom umpire whose job is to harness the diverse personalities of his colleagues into a driving team.

However, the question which has not really been answered is why Safra should want to exchange the independence of running his own bank for the role of an executive in a U.S. corporation. Although he is bound by "no compete" clauses and has apparently signed an employment contract (the terms of which are secret) Safra retains control of Republic National Bank which has a similar sort of upmarket clientele and overseas network as Trade Development Bank.

Rival bankers are sceptical as to whether Safra's liaison with American Express will survive over the long term. If they are correct this must raise a question about the price American Express has paid for its Swiss bank. Unlike the Shearson deal, American Express did not retain outside investment bankers to advise on the deal.



John Springs

Personalities at the top

ROBINSON IS a disarmingly soft-spoken son of an Atlanta banker who did not need to make it in his own right—but has. A venture capitalist at heart following a spell in the corporate finance department of White Weld, he also has a streak of visionary verve. His colleagues don't know when he finds time to sleep. He is a health fanatic, drinks diet Coke and takes executive fitness courses. He recently added aerobic dancing to his list of hobbies but confesses that his first love is disco dancing.

Sandy Weill, by contrast, has a reputation for being a hard-nosed, rough-edged, self-made businessman. Starting out as a Wall Street runner, he formed his own brokerage firm and went on to build Shearson from small beginnings into one of Wall Street's largest brokerage houses. He is reckoned to have been the originator of the idea to merge with Amex. Weill's aggressive style of management, forceful personality and recent promotion to president, following Al Way's departure in January, has prompted speculation that he wants Robinson's job.

But Robinson dismisses suggestions that the rapid promotion of Weill to the number two job in the group, and 36-year-old Peter Cohen, a long time friend of Weill, to president and chief executive of Shearson-American Express division, marks another step in the direction of Shearson domination of the group. He points to Lou Gerstner, 41, who has moved rapidly through Amex's traditional power base—the card and travellers' cheque operations—and was recently appointed to the number three slot as chairman of the executive committee. He is seen by some as a serious rival for the top job.

Finally there is the 51-year-old Edmond Safra who is the biggest single shareholder in Amex following the takeover of his non-U.S. banking interests. He should provide some real banking expertise to bolster AEIBC.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

With reference to your answer on February 2 under Stolen cheque, (1) if the cheque had been made out to Mr B only and the words "or order" crossed out, what would the position have been then? would this be a more practical safeguard than writing a/c payee on the cheque? (2) Is a paying bank at risk where an unendorsed cheque bears evidence of having been paid into an account other than that of the payee?

(1) We think your suggestion is a more practical safeguard than an "a/c payee" crossing. We think that the most likely consequence of naming the drawee "only" would be that the Building Society would refuse to open an account and hence the other questions would not arise.

(2) Yes: the evidence to which you refer may establish negligence on the part of the bank and thus negate the statutory protection.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

هكذا صدر الأصل

THE ARTS

Television/Chris Dunkley

Breakfast TV—the great turn-off or tomorrow's electronic newspaper?

The most heartening aspect of Britain's continuing breakfast television story (apart from the fact that, between them, BBC and ITV can so far raise a rating of only 2m for their "free" services, whereas 15m still pay for a newspaper every weekday and 17m on Sundays) is the vivid proof of the public's resistance to being led by the nose.

Offering a slice of the equity to four of the most heavily publicised faces on British television — Anna Ford, David Frost, Michael Parkinson and Angela Rippon — and to a journalist as widely respected as Robert Kee (incidentally, where has he disappeared to so quickly? I think we should be told) may be enough to impress the IBA and win the franchise, but it is not enough to win a good audience, not in a hurry anyway, as TV-am's *Good Morning Britain* has proved in its first six weeks.

It has been attracting roughly ½m viewers, while BBC's *Breakfast Time* has been getting roughly 1.5m. Two weeks ago the discrepancy became larger with the BBC getting 1.6m and ITV only 0.3m, whereupon David Frost sensibly disappeared for a rest. Angela Rippon and Anna Ford were put into harness together, and yesterday's figures for the week ending March 6 gave ITV 0.4m and the BBC 1.7m.

Rippon: giggling

To put that in perspective, the highest rating for February was *Coronation Street* on ITV with 18.45m and Channel 4's biggest February audience was 2.7m for a repeat of *Upstairs Downstairs*. *The Nine O'Clock News* and *News at Ten* tend to get about 9m viewers; *Newsnight*, comparatively late on BBC2 currently gets about 1m (much higher when hammocked between two lots of darts or snooker) and *Nationwide* — the programme which in terms of content is probably most directly comparable with breakfast television — has recently been getting 7.5m.

With the breakfast figures being so much poorer than had been hoped, great ingenuity is now going into their interpretation. The main point being made is that the breakfast shows are not intended to be watched from beginning to end, but to be dipped into by busy people, hence the rolling service of news, weather (that endless, endless weather) reviews of the morning papers, "personality" interviews and news again.

The figure of 2m, it is emphasised, is the total watching both channels at a given time, and if all those seeing any fraction of the three-hour programme were counted then the figure, known in these circumstances as "reach," would be considerably enlarged. No doubt that is so, but it is also true for every other programme to a greater or lesser extent, and even for other mass media: if this newspaper counted all those who ever read any part of it and then multiplied up to give a weekly figure, which is what the television people like to do, then our 220,000 circulation could be magically transformed into a 2.6m "reach."

Even using techniques of that sort, TV-am's showing has still been less than impressive. Chairman and chief executive Peter Jay who needs 5 or 6 per cent of homes switching to his service to make it pay but is getting nearer 1 per cent has called the figures "unacceptable." Why have they been so poor?

Numerous reasons have been suggested, many of them unconvincing. For instance the idea that the BBC captured the audience by opening two weeks before ITV and has simply held on to it implies that viewers have not even bothered to sample the ITV programme, whereas research shows that nowadays people channel-hop quite happily. The same objection applies to the theory that it is the tuning of button 1 to BBC1 on most modern sets so that they switch on automatically to BBC1 which explains the BBC's popularity, an argument which should apply equally to evening viewing.

In this category of practicalities rather than taste one theory does carry conviction: that many viewers who do switch on to ITV switch away to BBC1 as soon as the first commercial intrudes. Given that time available in the early morning is strictly limited, very few viewers are likely to prefer commercial television to what they know is a similar yet uninterrupted service on BBC1. That would seem to be an argument for TV-am to make its programme as distinct and different as possible from the opposition rather than attempting to beat the BBC at its chosen game.

Yet the past week has suggested that far from becoming more distinct the two programmes are looking more and more alike. The BBC, having been excessively frothy and trivial at the outset has tightened up and hardened a little. True they still dabble in astrology which is deplorable (though it is projected now as almost pure comedy) and last week brought items on black puddings and a battery-operated shower for budgerigars. However, they also offered good items on Sir David Napley's fees, Gerald Scarfe's exhibition, the significance of Burgess and Maclean, and Nkomo's standing in Zimbabwe.

ITV also included Burgess and Maclean, and they analysed the significance of the Pope's travels and of the miners' pit head ballot. Their froth ranged from a hairstyle modelled on chopsticks and the distasteful "house snooper" poking about among the belongings of Paul Raymond to the nearest that television can get to a Page 3 feature: a "keep fit" session led by a shapely lady with long legs.

The BBC's "Green Goddess" is slightly more suburban and mature (she was joking about the need for exercises to improve her bust last Friday but judged broadly, the agendas offered by the two programmes are strikingly similar. There are, however three vital areas of difference: the presenters, the tone, and the news back-up, international, national and regional.

The first two factors — presenters and tone — are virtually inseparable. Admittedly the tone of the BBC programme is not best exemplified by Selina Scott who tends to gush over guests and ask naive questions (how could anyone still be interested in "star gazing" in these days of space travel, why did Ian Drury have a peace symbol shaved into his haircut, etc) not to mention fluffing the autocue.

But Frank Bough and Nick Ross are excellent presenters. Both are good interviewers, and both are thoroughly experienced journalists, so there is nothing forced or false when, for instance, Bough questions Ross about reactions to events in Zimbabwe since Ross reported from that country previously. Their confidence leads easily to the creation of an atmosphere which feels genuinely relaxed and affable.

Scott: gushing

Anna Ford and Angela Rippon on *Good Morning Britain* are clearly desperately anxious to appear equally friedly and laid-back but unfortunately that is what comes across: desperation and anxiety. Angela Rippon's determination to produce a girlish giggle for anything not deadly serious soon becomes cloying, and far too often last week the two women adopted fixed smiles as they read out stories from the gleeful tabloid Press about their own supposed mutual antipathy.

At weekends the mood changes and presenters Mr and Mrs Parkinson give an impression of (understandably enough) deep mutual familiarity but also of (less predictably) mild dislike for one another. Since the presenters of *Good Morning Britain* were chosen as star personalities perhaps it is no great surprise now to find the programme hoist with its own petard of self consciousness.

But it is the third factor which may yet turn out the most important. Having never reached agreement with ITN, *Good Morning Britain* is relying on agencies and its own limited resources for its news whereas *Breakfast Time* has the worldwide infrastructure of the BBC to draw upon. When it comes to the Royal Tour of North America or the Torville-Dean ice dance triumph, the difference can be dramatic.

For anyone who, like me, is more interested in the notion of an electronic morning newspaper covering the world than in a dawn chorus of showbiz chit-chat covering the canal side in Camden Town that disadvantage in news "reach" would seem potentially far more significant than any embarrassment caused by prima donna presenters.

Theatre in New York

Frank Lipsius

Caricature and heavy 50s realism

Despite the xenophobic drumbeat of political rhetoric now emanating from the States, the hit revival of Arthur Miller's *A View from the Bridge* at the Ambassador is a useful reminder of just how distant the mid-50s really are. Re-created by Arvin Brown originally at the Long Wharf, the production is built round Tony Lo Bianco as Eddie, the longshoreman who blindly hankers after his niece. The arrival of two Italian stowaways, one of whom steals the girl's heart, makes for an unusual Miller work in which the drama does not depend on the peeling away of layers of emotion to reveal a deep dark secret from the past.

To compensate, the play has a narrator in the form of a lawyer who incongruously elevates Eddie's passion and prejudice into classical tragedy with chorus-like foreboding. But so obvious is the conflict and its outcome that the lawyer, well played as he is by Robert Prosky, seems little more than a means for the playwright to provide superfluous layers for peeling.

The production is unnecessarily wedded to the realism of the 1950s, which pace Mr Reagan, has definitely disappeared, while the characters border on caricature, especially Mr Lo Bianco, who gesticulates with his hands like a waiter describing the house wine, and Saundra Santiago, who plays his niece with an old-fashioned whining innocence.

Arvin Brown has a consumate skill in bringing an original sense of place to revivals but he might instead have looked for some contemporary justification for the production.

Richard Wilbur's elegant and funny translation sparks the Circle-in-the-Square revival of *The Misanthrope*. As traditional as an arena stage allows, director Stephen Porter's production depends on Ann Roth's voluptuous costumes and designer Marjorie Bradley Kellogg's intricate parquet floor to support the verbal jousting. Ably led by Brian Bedford, the artificiality is maintained in the spirit of Moliere's smiling through the scratching cattiness conducted by Stephen D. Newman as Philinte, Munson Hicks as the vain Marquesse Clitandre and Mary Beth Hurt and Carole Shelley.

A second New York production of John Byrne's *Slab Boys*, first produced in London in 1978, captures a contemporary poetry in the hilarious and ultimately sad day in a Scottish carpet factory's slab room, where cakes of colour are mixed with glue.

The hilarity comes of the mischief of two clever but uneducated lads, played by Kevin Bacon and Sean Penn, taking the mickey of their pathetic and sympathetic co-worker (Jackie Earle Haley), their boss, a ridiculously rotund and middle aged gaffer (Merwin Goldsmith), a former slab boy with exaggerated acne (Brian Benben), and a new boy with airs of advancement and a better class (Val Kilmer).

Robert Allan Ackerman directs the production at the Playhouse to show the fun of the victimisers and the pain of the victims, but the accents are so erratic that one wonders.

The Circle Rep scored a winner when it finally abandoned its heavy themes of Nazi and nuclear aggression in favour of a light-hearted look at growing up in the 1940s, in A. R. Gurney junior's *What I Did Last Summer*. Ben Siegler, looking like a fresh unjaded Dustin Hoffman, is the head of the household with his father fighting in the Pacific. His efforts to earn some money arouse the concern of his mother, a sympathetic and unmatronly Debra Mooney, the scorn of his sister (Christine Estabrook) and the admiration of a particularly funny girl *friend, Bonny*, played by Ann McDonough. The playwright does not diminish the fun with a reflective retrospective view that wisely prevents the play from being mired in its time, as cleverly depicted by designer John Lee Beatty.

Making Tracks/Greenwich

Antony Thorncroft

Making Tracks is the latest Alan Ayckbourn play to progress from his home base in Scarborough to the environs of London. I doubt if it will manage the last few miles from Greenwich to the West End. *Set in a recording studio, it* has the unusual Ayckbourn characteristics of being both derivative and sentimental. It also includes songs from Paul Todd which instead of progressing the action, as in the best musicals, halt it stone dead.

In a fanciful setting the nine musical interludes might add an extra dimension to the evening; on a recording studio set they are predictable and blur the borderline between a plot and padding. It is no help that the second half starts with the old Rooney-Garland cliché, "Why don't we do the show right here and now." Fortunately the final result, the title song, is the only hummable melody of the evening; but we have laboured long for the pleasure.

Presumably Ayckbourn was attracted to the mechanical possibilities of a studio: the sound-proof glass, the array of props that could go disastrously wrong, the pretensions of the pop music business. But the set is as tacky as Wolfe (John Arthur), the heavy who has advanced the money for the enterprise and wants a hit song or else . . . considers it, and there is a woeful lack of character development and psychological insight.

Only Sandy Beige, until yesterday Susan Brown hospital worker, has any credibility as the girl spotted at a talent contest by impresario Stan (Russell Dixon) from the bottom of a beer-mug and forced to carry the future of his failing studio on her insubstantial shoulders. Her bemused innocence lets in the sentiment, but also provides one sympathetic character amid a gang of unlikely caricatures. Ursula Mohan gags appealingly in an unromantic part which encourages the rest of the cast to make random guesses about her age.

Of course, there are jokes and smiles. Gillian Bevan, as Lace Wolfe's current blonde, with a voice of a "castrated polar bear," puts on an amusing turn, but all too soon she must come to the aid of the party as the old pro singer who covers while Sandy goes through the motions in front of a dead mike. For Alan Ayckbourn this is a second-hand conceit, a piece of trivia which the players work to the full, but is really Friday afternoon stuff compared with his *great comic/tragic creations of* the past.

Alastair Muir

Ursula Mohan

Writers' Day events announced

Poet and novelist D. M. Thomas and Polish-American Jerzy Kosinski will be addressing the Fifth Writers' Day, *organised by the English Centre* of International PEN. The Silver Pen Award and the J. R. Ackerley Prize for autobiography will be presented at the event, at the Purcell Room, Queen Elizabeth Hall on Saturday, March 19.

Call Me Madam/Victoria Palace

Michael Coveney

Thirty years after she went on the road with the British touring version of Irving Berlin's hit vehicle for Ethel Merman, Noele Gordon arrives in the West End as Mrs Sally Adams, the hostess with the *mostest. There has been a lot* happening in between, of course, as the audience were quick to remind her on giving a sympathetic round to the line "I know what it feels like to be fired."

Even Miss Gordon winced at this memory of Meg waving goodbye to *Crossroads* on board the Queen Elizabeth. But this was just one blue moment in an otherwise attacking display of audience-grabbing. It starts with Sally Adams being sworn in, facing upstage, as Truman's ambassador to Lichtenburg (the book by Howard Lindsay and Russel Crouse was inspired by the appointment of Perle Mesta, a Washington party-giver, as ambassador to Luxembourg).

Sally Adams is a course-grained Texan heiress who spends most of the musical changing her dresses and barging through official protocol. She offers to solve Lichtenburg's economic problems with the wave of a cheque book but discovers that national dignity and even emotional attachments must sometimes hold sway over Mammon.

It is not a subtle story, nor would it be wise to take it too seriously. The satirical point, if any, is that diplomatic relations are usually a matter of merely saying the right thing at the right time while the wheels go round oblivious to the trivial activities of government puppets. But if these activities include belting out one of Berlin's most enduring scores, then there is little room for complaint.

Apart from an incongruous quotation of Larry Fuller's *Evita* choreography for the black and white mannequins at the Washington Embassy, everything about Roger Redfarn's production is doggedly old-fashioned. This seemed to me the correct approach when I first saw the show at the Birmingham Rep last December. But my charity has dwindled a little in the meantime. Terry Parson's design is slightly tawdry and the action is generously coated with a layer of middle, as opposed to high or low, camp. One improvement is Basil Hoskin's increasing grip on the Lichtenburg Prime Minister's musical numbers.

Noele Gordon and Basil Hoskins

The stage bursts to life in such splendid choral numbers as "The Ocarina" and "Something to dance about" (with its fantastic tango and jitterbug syncopations), and although Veronica Page as the fairytale princess has a rather cold, over-trained voice and manner on second acquaintance, William Relton as an eager attaché repeats his marvellous Gene Kelly impression and sings like a dream.

He and Miss Gordon go like greyhounds from the trap on "You're just in love," a contrapuntal duet of sheer genius which is reprised with Miss Gordon clinching her deal with the audience

Die Zauberflöte/Covent Garden

Andrew Clements

With the Covent Garden Proms two weeks away, the Royal Opera has brought its *1979 production of Die Zauberflöte* into the current repertory, conducted by Colin Davis with a first-rate cast. Jonathan Miller's staging for Scottish Opera is a recent memory, and August Everding's version shares with Miller's an 18th-century location. But where Miller used it as the basis for mercurial allusions and historical punning, *Everding sticks* closely to period designs. Jürgen Rose's deliciously painted backcloths and fine costumes are a great asset; there were no signs of ageing in Monday's opening.

In the first act, however, the result was rather less convincing than the sum of its constituents. Singing was uniformly excellent, acting had been thoroughly rehearsed by a cast that was largely new to the opera at Covent Garden. But too often the deliberate two-dimensionality of the sets was matched by flat, low-key action, and for this the blame was largely the conductor's. After the crisp overture and opening scene accompaniments flagged; *detail* wandered, *ensemble* scraped by. The second half was a different matter; then everything came together to charming effect.

Survivors from earlier revivals are Stuart Burrows' Tamino and Zdzislawa Donat's Queen of the Night. Miss Donat makes a relatively small sound, *but her singing was profoundly* accurate and unusually ingratiating in the highest register; only her stage presence is less than assertive. Mr Burrows is a relatively (shall we say) mature prince; he began a trifle awkwardly, warmed to some generous phrases in the Portrait Aria and thereafter held the stage against some fierce competition. Hermann Prey is a delightful Papageno, only allowing indulgence to creep into his comedy towards the end; his partnership with Lucia Popp's Pamina in the first act was the finest musicianship of the evening. Miss Popp is perhaps a shade too cosy for the ideal, but she was in fine, limpid voice.

Robert Tear's Monostatos is unexpectedly incisive; Gwynne Howell is not quite the heavyweight bass that some of Sarastro's part theoretically requires, but his bearing and his speaking voice are most convincing. Gunther Reich makes a slightly disappointing Speaker; there is a pert trio of Ladies from Anne Evans, Diana Montague and Elizabeth Bainbridge and an attractive Papagena from Elizabeth Gale. The production itself contains numerable felicities; the run promises to be an ejoyable and popular one.

Arts Guide

Music/Monday Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 11–17

Theatre

NEW YORK

A View from the Bridge (Ambassador): Broadway and Arthur Miller finally have a hit for the new year – Arvin Brown's musty but true revival of the melodrama of forbidden love in New York dockland. Tony LoBianco may reach the full pitch of contrived despair too soon, but audiences love the schmaltz, even in an Italian accent. (239 6200)

The Misanthrope (Circle in the Square): A witty translation by Richard Wilbur challenges an excellent cast to handle rhyme as dialogue which they ably do, led by Brian Bedford, supported by Stephen D. Newman, director Stephen Porter and especially costumer Ann Roth. (581 1346)

Amadeus (Broadhurst): David Dukes stars as Salieri in the award-bedecked and elegant National Theatre production of Mozart's life. (247 0472)

Agnes of God (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Amanda Plummer enliven a somewhat over-written clash of ideologies. (246 4636)

Joseph and the Amazing Technicolor Dreamcoat (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a lively and imaginative rendition directed by Tony Tanner. (245 5760)

Geniuses *(Fairbanks): Author* Jonathan Reynolds takes advantage of a stint watching Francis Ford Coppola shooting Apocalypse Now to parody the American film industry in this riotous re-creation of a jungle film set awaiting the end of a seasonal typhoon. (432 W. 42nd). (279 4200)

Nine (46th St): Two dozen women surround Raul Julia in this Tony-award winning musical version of the Fellini film 8-½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (245 0246)

Plenty (Plymouth): Moving on to Broadway from its Public Theatre opening, Kate Nelligan stars again in the New York production of the play written and directed by David Hare about Europe's transition from war to peace over the last generation. (239 6200)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of Nicholas Nickleby, has his imaginative and frisky cats slink, slide and dance their way across a transfigured stage in this lavish re-creation of the London hit. (239 6262)

Top Girls (Public): After the Royal Court production enjoyed a short sold-out run, Caryl Churchill's ruminations on ambition and women re-opens with a local cast including film actresses Linda Hunt, Kathryn Grody and Sara Botsford, again directed by Max Stafford Clark. (598 7100)

Extremities (West Side Arts, 43rd W. of 9th Av.): The realistic portrayal of sadistic rape, with which the play opens, makes for uncomfortable but rich drama, and author William Mastrosimone manages to maintain high energy levels to challenge an excellent cast led by Susan Sarandon and James Russo. (541 8394)

Marcel Marceau (Belasco): If anyone can cheer up Broadway's sagging season it should be France's favourite silent clown. (239 6200)

Angels Fall (Longacre): Lanford Wilson's ponderous and pretentious ruminations on life after a nuclear accident transfers boldly to Broadway after a decidely lukewarm reception at the Circle Rep. (239 6200)

The Imaginary Invalid (Arena Stage): Guthrie Theatre's associate artistic director Garland Wright presents Argan and company with Marc Antoine Charpentier's original music for Moliere's masterpiece about quackery and hypochondria in the ancien régime. (488 3300)

The Iceman Cometh (Eisenhower, *Kennedy Center): Jason Roberts* takes the role of Hickey and Jose Quintero's direction for this O'Neill revival of bar-room reflections throught the bottom of the mug. (254 3670)

WASHINGTON

Screenplay (Arena): A circus setting is used by director Zelda Fichandler to present Istvan Orkeny's last play, *which creates its own show trials* for a fictitious Hungarian politican recalled from his ambassadorship in Paris to witness the testimony prepared against him. (254 9895)

Show Boat (Opera House, Kennedy Center): A cast of 50 from the Houston Opera company led by Donald O'Connor revives the Kern-Hammerstein musical of 1927 with its brilliant score including songs Ol' Man River, Bill and Make Believe. *(254 3770)*

CHICAGO

The Dining Room (Goodman, 200 S. Columbus Dr.): A. R. Gurney Jnr's vision is confined by four walls, the four walls of a middle-class New England family as it changes with its inhabitants. (443 3800)

Duet for One (North Light Rep, 2300 Green Bay, Evanston): Tom Kempinski's slightly veiled story of the painful and frustrating accommodation of a concert artist to growing debility stars Eva Marie Saint. (869 7278)

E. R. (Organic, 3319 N. Clark): This hit-and-miss local company has a long-running success with an earnest parody of hospital-based melodramas, starring Gary Houston as an ambitious young doctor, Shuko Akune as the receptionist and Lily Monkus as the authoritarian nurse. (327 5588)

Other Places (Cottesloe): Triple bill of Harold Pinter plays superbly directed by Peter Hall. Pinter breaks new ground in A Kind of Alaska, Judi Dench outstanding as a woman coming out of coma after 29 years and accelerating from small girl to adult maturity in half an hour. *(928 2252).*

Trafford Tanzi (Mermaid): Exuberant play that sets the battle of the sexes in a wrestling ring. This fringe success has re-opened the embattled City of London venue. (236 5568)

LONDON

A Map of the World (Lyttelton): Brilliant new play by David Hare, set in a luxury Bombay hotel where a Unesco conference on world poverty has been convened. Chill, meticulous production by the author has strong performances from Roshan Seth (Nehru in the film Gandhi) as an Indian novelist, Bill Nighy as a journalist and Diana Quick as the actress in the middle of an ideological showdown. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Yakety Yak (Astoria): Enjoyable potpourri of songs by Lieber and Stoller, evocative of the 1950s and '60s, and exuberantly performed by a Liverpudlian quartet of brothers and The Darts. (437 6565).

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. One or two brilliant set pieces, but is all this strenuously arthritic camping about really preferable to the prim stasis of the D'Oyly Carte tradition? (836 8108)

84 Charing Cross Road (Ambassadors): Moving, unspectacular account of the love affair by correspondence *between a New York Anglophile*, Helene Hanff, and the owner of a West End bookshop. (836 1171)

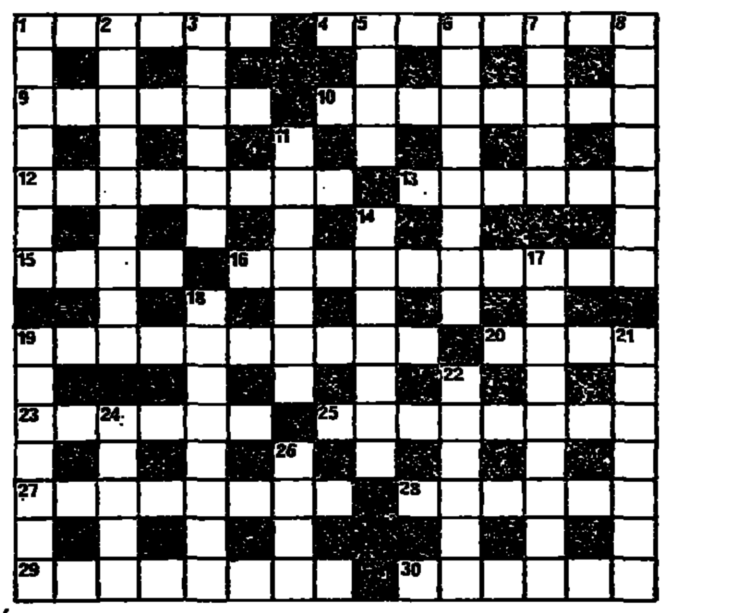
Guys and Dolls (Olivier). A first-class revival of this witty musical happily laid out on the open stage, with a good selection of the acting talents of the National Theatre and some unlooked-for singing talents as well. (928 2252)

VIENNA

Vienna's English Theatre (421 260): Arsenic and Old Lace (daily except Sun)

Theater an der Wien (579 632): Anatevka (daily except Mon)

F.T. CROSSWORD PUZZLE No. 5,123



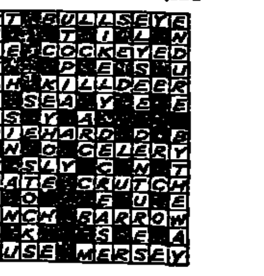
ACROSS

1 Doctors subdue the spirit in Russia (6)
4 Discover a cape in the river (8)
9 Spiritless sea-bird we hear (6)
10 Section of the orchestra would, we hear, turn to the left (8)
12 Surgeon on call (8)
13 " Come thou goddess fair and free, in heaven—Euphrosyne" (Milton) (6)
15 It looks like my book (4)
16 A brisk-sounding gangster for sustenance (10)
19 Mechanised soldiers from Rome (10)
20 River may rise out of control (4)
23 See through regulation about a doctor (6)
25 Port once supplied a hair-style (4, 4)
27 "—— how like an angel" (Hamlet) (2, 6)
28 Scold artist in a Spanish town (6)
29 At length it is a good match if the winner is (8)
30 Comes after eight in one type of poem (6)

DOWN

1 Sherlock's brother (7)
2 Yankee fellow for a politician (9)
3 Work periods in Covent Garden (6)
5 The club for one who presses (4)
6 Gave a show, I see, to be instructive (8)
7 Nothing pleasant is kept in readiness (2, 3)
8 Agree about the engagement —get knotted (7)
11 *Singularly discreet part of* the science of government (7)
14 Stage directions upset Tess about Anne losing her head (7)
17 Attentive domestic follows the old boy (9)
18 A slug in the progress report (8)
19 Red automobile belonging to *me* (7)
21 Censure the left in sympathy (7)
22 Ask in the French quickly (6)
24 Food includes the point intended (5)
26 Information to doctor (4)

Solution to Puzzle No. 5,122



THE BUDGET: The Chancellor's Speech

Measures to help ¾m unemployed • PSBR £8bn

Sir Geoffrey Howe, presenting his Budget yesterday, said his aim was to sustain and advance the recovery for which the Government had laid the foundations. There were signs that the worst of the world's economic problems were beginning to abate, and recovery in the major economies should be accompanied by a recovery in world trade. Steadiness and resolve were needed at home as well as abroad. The Chancellor said:

The longest Budget speech that I have been able to trace was given by Mr Gladstone on April 18 1853—it lasted approximately 4¾ hours. The then leader of the Opposition said of the speech: ". . . it was so extensive that it is impossible, without consideration, to weigh its disadvantages and advantages." That could have its merits, of course. But I can assure the House that I shall not try to rival Mr Gladstone. Instead I shall try to follow Disraeli, who delivered a Budget speech in 1867 lasting only 45 minutes. I cannot quite match that; but at least this will be one of the shortest—perhaps the shortest—of my Budget speeches. Or at any rate the shortest so far. And that will not be its only attractive feature.

I begin, as last year, by making it clear that I shall today be proposing further significant cuts in the taxes paid both by businesses and by individuals. These proposals will be consistent with our medium-term strategy for effective control of the money supply, for lower public borrowing and for further progress on inflation.

The requirement we saw, and the country accepted, in 1979, was for resolves, for purpose and for continuity. My proposals in this Budget are rooted in that same resolve, and will maintain that purpose, and that continuity. They are designed to further the living standards and employment opportunities of all our people and to sustain and advance the recovery for which we have laid the foundations.

In 1979 it was clear that the long-term decline of Britain's relative position in the world economy called for a fresh start, for a radical new beginning. And it soon became apparent, as the effects of the second oil price shock hit home, that that fresh start would have to be made in an international setting that was increasingly difficult.

Last year world output and trade were lower than generally expected. In the major industrial economies output fell. And more than 30m of their people were unemployed.

Developing countries have faced similar difficulties. Weak markets for their products, high oil import costs and interest rates have led to a sharp rise in their short-term debt. They have had to cut their imports. And that has added to the fall in world trade.

It is worth recalling that in 1979-80 the world price of oil rose by about 2½-times, and that it was this sharp rise, coming in the aftermath of the 1973 surge, that triggered off the deepest economic recession the world has experienced since the war.

Now, however, there are signs that the worst of the problems of the world economy are beginning to abate.

Oil prices have now weakened. For the world as a whole this means lower inflation and hence an encouragement to increased activity.

More important still, there are clear signs that the world is breaking the inflationary habits of the 1970s. In many countries the rate of increase in prices has fallen more steeply than expected.

Uncomfortable transition

At the same time, interest rates have declined substantially almost everywhere, including, of course, here. In the U.S., though real interest rates remain high, three-month rates have almost halved from last summer's peaks.

Looking ahead, 1983 should see recovery in the major economies gathering pace as the year goes on. This should be accompanied by a recovery of world trade.

Even so, we cannot expect a year of trouble-free progress. Transition from a period of high inflation is bound to be uncomfortable, internationally as well as nationally. The process of adjustment by major debtor countries has to be encouraged, and world recovery nurtured and sustained.

There is a major task here for the international financial institutions, which deserve—indeed require—our full support. The need is not for blueprints for new institutions, but for increased commitment—political and financial—to the existing ones. That is why, as chairman of the Interim Committee of the International Monetary Fund, I worked this winter for an early increase in the resources available to the Fund for lending to countries in difficulty, and why I pressed for a major increase.

The decisions reached in the Interim Committee in February require ratification by national parliaments — including this House. But their effect should be substantially to increase the usable resources at the Fund's disposal—and I hope that the House will share my view that this is a wholly welcome development.

The agenda for international discussion remains a full one. Differences in performance by individual industrial countries remain wide and create tensions which are reflected in the foreign exchange markets. The threat of protectionism, which in the long run benefits nobody, continues to grow. The efforts of the U.S. Administration to cut back its daunting structural deficit are crucial to the prospects for interest rates and future inflation, and hence recovery prospects, for us all.

It is sometimes suggested that countries which have made most progress against inflation should speed the recovery process by a resort to reflation. But nothing could be more dangerous for recovery.

Lower inflation and lower interest rates are themselves the right foundations for economic recovery, a recovery which can be sustained. The days when governments by spending more could guarantee to boost activity are far behind us—as the Right Honourable Member for Cardiff (South-East) pointed out almost seven years ago. But lower interest rates, and lower inflation, reduce costs and provide the opportunity for greater real growth of activity.

And the prospect now is for just such a recovery. It will be gradual, but it should be steady, provided anti-inflationary gains are not thrown away. And the international consensus is that they must not be thrown away.

This is the heart of the strategy agreed at last year's Versailles Summit and recently reaffirmed by the interim committee. Carrying it through will need persistence and political will: but it is backed by a broad measure of international commitment, on which we hope to build in the series of international meetings leading up to the Williamsburg Summit.

At home as abroad, the need is for steadiness and resolve.

Government spending is being restrained. The public sector deficit, as a percentage of our domestic product, is now one of the smallest in the industrialised world. Monetary growth is towards the middle of the 8 to 12 per cent target range. And inflation, at 5 per cent, is lower than at any time since 1970.

Last year saw a surplus on our balance of payments current account of some £4bn. In 1983 too we now expect a significant surplus. Total official external debt now stands at around $12bn, compared with $22bn when we took office. This overseas debt burden is now smaller in relation to our trade than at any time since the Second World War.

In our own economy domestic demand has been growing—at almost 3 per cent a year in real terms—since the spring of 1981. This is a stronger growth of demand than in most other industrial countries. Indeed, in the industrial world as a whole demand has tended to fall.

With this weakness in overseas demand and a rise in our imports, total output in this country increased last year by only ½ per cent. This year we expect domestic demand to grow by over 3 per cent and output to rise by some 2 per cent. This is likely to be in line with, or a little faster than, the projected growth in world output.

Indicators of recovery

In the last quarter of 1982, output in the construction industry was 6 per cent higher than a year before. In the three months to January housing starts were more than 13 per cent up on the previous quarter. And for manufacturing industry too the prospects look better. After a slight fall last year, the current evidence suggests a rise in 1983. Figures published today show a 2½ per cent rise in manufacturing production in January, which follows a 1 per cent rise in December. All these are clear indicators of recovery, and should be welcomed in all parts of this House.

Unemployment, however, remains intractably high, even although it has been rising more slowly than in 1980 or 1981. In many other countries it has recently been rising faster than here. Over the past year, for example, it went up by 1.6 percentage points in the U.S., by 2.3 percentage points in Germany, and by nearly 4 percentage points in the Netherlands, as against only 1.4 percentage points here.

Because unemployment throughout the Western world is likely to remain high for some time, we have established a wide range of programmes, designed to help particularly those without jobs who are bearing the sharpest pains of the long recession. These special employment and training measures will next year bring direct help to almost 750,000 people.

❛The trend of rising inflation that appeared irresistible has been decisively broken. We are now certain to be the first Government for a quarter of a century to achieve a lower average level of inflation than did its predecessor❜

We now propose to extend this help in four further ways.

First, some 90,000 men between the ages of 60 and 65 now have to register at an unemployment benefit office, if they wish to secure contribution credits to protect their pension rights when they reach 65. From April they will no longer have to do this. Even if those concerned subsequently take up part-time or low-paid work on earnings which fall below the lower earnings limit for contributions, their pension entitlement will be fully safeguarded.

Second, there are some 42,000 men over 60 who are registered as unemployed and on supplementary benefit, but who have to wait a year, or until they reach 65, before they qualify for the higher long-term rate of benefit. From June 1, they will qualify for the higher rate as soon as they come on to supplementary benefit. For this purpose, they will in effect be treated as if they had already reached retirement age.

Third, the Job Release Scheme. As the House know, this scheme allows men over 62 and women over 59 who so choose to retire early, and so to make room for employing someone else who wants a job. I can now announce a new scheme for part-time job release. It will apply to the same categories of older people who are willing to give up at least half their standard working week, so that someone else who is without a job can be taken on for the remaining half.

The allowances will be paid at half the full-time rate. The scheme will take effect from October 1 and should provide part-time job opportunities for up to 40,000 more people who are at present unemployed.

Fourth, enterprise allowances. These encourage unemployed people to set up in business, by paying £40 a week for their first year to offset their loss of unemployment benefit. Pilot schemes were set up in five local areas in early 1982.

The response has been very encouraging and there is already evidence that many of the 2,000 or so new businesses created under the scheme are generating extra jobs. I can now announce that from August 1 to end-March 1984 enterprise allowances will be available throughout the country, within an overall cash limit of £25m in 1983-84. Individual allowances will run on for a full year, so that the scheme will cost a further £29m in the next financial year. The net public expenditure cost is about two-thirds of this gross cost. It should help some 25,000 unemployed people to set up in business. We shall be monitoring the scheme closely and I hope it will show a continuing benefit to those concerned and to the whole economy.

Employment measures

The gross cost of these four measures is estimated at £55m in 1983-84 and £100m in 1984-85. The net public expenditure cost will be much less than this—some £40m in 1983-84 and £55m in 1984-85. In 1983-84 we shall be spending over £2bn on the full range of special employment and training measures.

There is one other matter which has, I know, been a cause of concern to honourable members on both sides of the House.

As the House will recall, the November 1980 uprating of unemployment benefit was abated by 5 per cent. We said then that we would review the position once the benefit was brought into tax. That happened in July last year. As my Rt Hon Friend the Secretary of State for Social Services said when the House last considered the issue, the Government accepted in principle the case for restoration of the abatement. It is right now to redeem that pledge. In the uprating that takes place in November this year the abatement of unemployment benefit will be restored in full.

But it is not enough simply to mitigate the effects of unemployment. It is our purpose as well to secure a sustainable growth in job opportunities. So we must look for a larger share of rising demand to be translated into British output and British jobs.

Progress on inflation is crucial to the prospects of higher output and lower unemployment. High inflation destroys savings, impairs efficiency and undermines stability. So lower inflation is good in itself. But it also underpins a return to lasting growth and to new jobs.

Lower inflation will lead to higher real demand and output, provided we hold to the Medium Term Financial Strategy. Lower inflation helps consumer spending: as savers no longer have to put aside so much simply to maintain the real value of their capital.

Lower inflation encourages higher spending by companies, both on stocks and on investment. For lower inflation contributes to lower interest rates, so improving cash flow. And lower inflation helps keep down other costs. This is one reason why industrial profitability, though still by historic standards very low, has begun to recover. This too should encourage new investment and the creation of new jobs.

Lower inflation and interest rates also ease the burden of mortgage interest, helping house buyers and in turn house building.

With lower inflation the cash programmes of the public sector go further; they buy more goods and services.

Lower inflation will provide the stability and confidence needed for further progress in securing the improvement in Britain's economic performance needed to reverse the long years of relative decline.

Finally, of course, inflation has long been the enemy of good sense in pay bargaining and so too the enemy of jobs. The understanding that government will not finance higher inflation has done much — though still not enough — to bring commonsense back into wage bargaining. The way in which excessive pay increases destroy jobs is now much more widely understood.

More moderate pay settlements, combined with improved productivity, are two of the reasons why last year, in a shrinking world market, British manufacturers succeeded in enlarging their market share.

Still lower pay settlements and still higher productivity remain vital to our competitive position. Provided they come through, British business is now better placed than for many years to make inroads into markets at home and overseas.

And provided we go on achieving success against inflation.

Consistency of policies

Inflation was on a rising trend when we came to office. It peaked at some 22 per cent in 1980. The reduction since then has been dramatic, with retail price inflation now down to 5 per cent. The benefits of this transformation are felt throughout the country—it results from the firmness and consistency of the policies we have pursued in the past four years.

We shall not change course. Downward pressure on inflation will be maintained. With the lower exchange rate some check in our progress now is unavoidable. In the fourth quarter of this year inflation in retail prices may for a time be running at about 6 per cent, a little above what it is now, but still substantially below its level of a year ago. And it seems likely that the rate of increase of the GDP deflator—which is a measure of prices across the whole economy—will continue to fall, from 7 per cent in 1982-83 to 5½ per cent next year.

The trend of rising inflation that appeared irresistible has been decisively broken. We are now certain to be the first Government for a quarter of a century to achieve a lower average level of inflation than did its predecessor. In the next parliament it will be our purpose to do even better.

One weapon we shall certainly continue to use is effective monetary policy. That monetary policy has a key part to play in the fight against inflation is recognised by the markets and by governments abroad. However much they may deny it now, it was, of course, a pillar of the last Government's counter-inflation policy. And rightly so.

In judging monetary conditions we look at the measures of money supply and at other financial indicators such as the exchange rate, real interest rates, and of course at progress in reducing inflation itself. The Red Book includes a full discussion of these matters. I shall summarise it only briefly now.

Concern about oil prices

Since the last Budget, financial conditions have developed much as I foreshadowed. In the year to February, the growth of all three target aggregates was within the target range of 8 to 12 per cent. Other financial indicators also pointed to moderately restrictive monetary conditions.

But with the satisfactory development of financial conditions and rapid progress in reducing inflation a significant fall in interest rates was possible. By mid-November, short-term rates had fallen to 9 per cent. They subsequently moved up to around 11 per cent, but they are still very substantially below the 16 per cent of *November 1981.*

For most of the year the exchange rate was strong. The weakening in November and December seemed mainly to reflect external factors such as concern about oil prices and sharp movements in the world's other major currencies. Opposition statements and election uncertainties, here and abroad, may also have played a part in currency movements.

But this winter's movements in sterling rates were certainly not due to any laxity in the Government's financial policy. On the contrary, our monetary and fiscal objectives were achieved. Provided we continue to meet them — and we are determined to do so — our *policies give no reason to* expect anything more than a temporary rise in inflation from the fall in the exchange rate that has taken place.

The lower exchange rate does give industry an opportunity to *improve its competitiveness;* but only if other costs are tightly restrained. I make no apology for repeating that this requires *still greater moderation in pay* bargaining. Without that, there would be only a temporary improvement to our competitive position, and no long-term help in providing a sustainable basis for the improvement in output and employment that is now within our grasp.

That is why I cannot emphasise too strongly our view that *devaluation* brought about by monetary and fiscal laxity would be damaging. And that to seek it as a deliberate act of *policy would be a grave mis*take. It would be a signal to the world of a willingness to accommodate rising inflation—an *inflation that* would undoubtedly be fuelled by demands for higher wages to offset its effects. Confidence would col*lapse. And jobs would be* destroyed.

❛That is why I cannot emphasise too strongly our view that devaluation brought about by monetary and fiscal laxity would be damaging. And that to seek it as a deliberate act of policy would be a grave mistake❜

That is not the way we intend to go. That is why, by contrast, *last year's* medium-term financial strategy again set out a declining path for monetary growth in future years. After growth of 8 to 12 per cent in 1982-83, a target of 7 to 11 per cent was suggested for 1983-84. I confirm now that the 1983-84 target will indeed be 7 to 11 per cent.

Once again it will apply to both broad and narrow measures of money, though, as I said last year, M1 may for a time grow rather faster than indicated by the range. Given the prospect for inflation, this range gives scope for a healthy rise in output.

The establishment of the medium term financial strategy has been more than justified by its value as a framework of fiscal and monetary discipline. Another innovation has similarly proved its worth: namely our decision to diversify our funding policy.

We have made available indexed as well as conventional assets. And we have secured a larger contribution from the personal sector in the form of National Savings. I intend to continue this policy.

The Department for National Savings is close to achieving this year's target of £3bn. For the coming year, I am again setting a target of £3bn. Nearly *£2bn-worth of* indexed gilts have been issued over the past year and it has been possible to dispense almost completely with long term fixed interest stocks, which has helped bring long rates down very nearly as much as short rates.

Intolerable strains

Control of money needs to be supported by firm control of public sector borrowing. Otherwise the result is to push up interest rates and create strains that sooner or later prove intolerable. Other countries understand this. All too many have had to learn the hard way.

A substantial reduction in the trend of public sector borrowing over the medium term is a necessary part of the process of reducing inflation. We have made good progress. During *the latter* half of the 1970s, public borrowing represented, on average, about 6 per cent of gross domestic product. In *1975-76 the figure was nearly* 10 per cent. By 1981-82 it had fallen to 3¼ per cent of GDP.

For the year now ending I budgeted for a public sector borrowing requirement of £9½bn. The outturn is likely to be substantially lower, principally because oil revenues during the current year have been very much larger than could have been expected. The latest estimate of the outturn for this year's borrowing requirement is about £7½bn or 2¾ per cent of GDP. However, the year is not yet over, and there are large sums on the expenditure side yet to be brought to account and on the revenue side to be collected.

So this year's outturn figure is still subject to a considerable margin of error.

For 1983-84, last year's Budget statement suggested a PSBR of 2¾ per cent of GDP as consistent with the desired trend to lower borrowing. That is equivalent to about £8bn at *the level of money GDP now* forecast. In judging whether that figure is still appropriate, I have taken account of developments over the past year, and of the main uncertainties which now confront us.

On interest rate grounds, there is a clear case for continued fiscal restraint. Interest rates, though lower than they *were, are still undesirably high* both in nominal and in real terms. The fact that the exchange rate has now moved to a lower *level eases the fin*ancial pressures on companies. But we need to remember that holding to the medium term financial strategy as inflation falls is the best way of helping the recovery of output.

Corrective action

I have also had to consider the implications of the recent fall in North Sea and other oil prices. Of course, lower oil prices reduce the value of our *own oil production.* But North Sea oil accounts for only 5 per cent of our national income, and tax on it for only some 6 per cent of Government revenues. Moreover, the health of a much larger part of our national economy depends on the state of the world economy.

Though sharp swings in the oil price are in nobody's interest, moderate reductions mean lower inflation abroad, and lower prices here. The fall in the general level of world *oil prices is therefore to be* welcomed. A more prosperous world will in time mean more output and jobs in Britain.

It follows from this that it would be unnecessary, as well as impractical, to react to every deviation in the oil market by *changing* the general level of taxes. The forecast published in the Red Book reflects the prices currently offered by *BNOC to North Sea producers.* Clearly there could be a change in oil prices sufficient to affect the balance of revenue and expenditure in the Budget, though not all the effects would be one way.

There is no simple arithmetical guide for dealing with this, let alone allowing for it in advance. Much would depend on the *extent of the change* and the attendant circumstances. If any further reduction in oil prices seemed likely to compromise the success of our economic strategy I would be ready to take appropriate corrective action. But the lesson for today is that it is prudent to keep planned borrowing down.

Taking these factors into account, I have decided to hold to the previous plan, and provide for a PSBR in 1983-84 of 2¾ per cent of GDP, that is some £8bn.

Last autumn I announced measures with a revenue cost of some £1bn in 1983-84. Most of this was directed to reducing the burden on private industry and *commerce.* It included a *cut in the National Insurance* surcharge.

After allowing for that, and *for the other changes* announced in November, the latest forecasts suggest that a borrowing requirement of £8bn in 1983-84 permits further real tax cuts with a net cost to the PSBR of some £1½bn. The full year revenue costs of my proposals will be rather larger than that.

The Red Book gives revenue and expenditure projections for the period of up to 1985-86. These allow for a further re*duction in public sector borrow*ing as a percentage of GDP over the medium term. There is, of course, no certainty about the precise figures. But they show how lower borrowing can be combined with lower taxes, within the framework of policies designed to reduce both inflation and interest rates. This was indeed illustrated by my last Budget.

Central to the restraint of borrowing is the restraint of public expenditure. And the key to effective control of public expenditure is that finance must determine expenditure, not expenditure finance.

The House debated last week the public expenditure White Paper which set out our plan for the years to 1985-86. Public expenditure is being held within the levels set in earlier plans. The ratio of public expenditure to GDP, which is the measure of the burden which public expenditure places on the rest of the economy, has been reduced from 44½ per cent in 1981-82 to a planned 43½ per cent in 1983-84.

In working to get and keep public spending down we have been helped by an important institutional innovation which we have introduced: cash planning. Improved control of expenditure has been an essential factor in making possible the tax reductions I am announcing today.

The additions to certain public spending programmes which I am announcing today will all be met from the Contingency Reserve; and so will not add to the planned total of expenditure.

We have also maintained a strict control over the running costs of Government *itself,* in particular, manpower. *By the* end of this month we shall have reduced the numbers of the Civil Service to 651,000—a *fall of 80,000 since 1979.* The target of 630,000 by April 1984, which we set ourselves on taking office and which some thought unattainable, is thus now within reach. Civil Service numbers will by next year be lower than at any time since the war.

I now turn to social security. This is much the biggest single element in public expenditure —more than one-quarter of the total.

About half of social security *expenditure is on benefits for* pensioners. The costs are borne mainly by contributors; and we had in November to announce further increases in National Insurance contribution payments, which take effect from next month.

The House will remember that, because prices have been falling faster than expected, the provision in last November's uprating for the rise in prices in fact exceeded it by 2.7 per cent.

The forecast method of uprating, which gave rise to this situation, has never worked well. A forecast made at Budget-time of what the rate of inflation will be at the time the uprating takes place in the following November is necessarily uncertain. Increases can therefore be larger or smaller than intended. There have been years when prices have been under-estimated, as in 1981—when there was a 2 per cent under-provision which we made good in the following year—and others, such as 1980 and 1982, when the error has gone the other way.

In each case, there has necessarily been a year's delay before the error of the previous year could be corrected.

The system of trying to forecast inflation, introduced in 1976, is a fragile basis for calculations of such importance to millions of our fellow citizens. Given the experience of the past seven years, the Government believes that it would now be right to restore the more certain system that prevailed before 1976.

This is the system by which benefit upratings are calculated on what has actually happened to prices, rather than on what *might happen in* future—if the forecast proves right.

Uprating of benefits

From this November, therefore, we shall return to the historic, or actual, method. The necessary legislation will be introduced immediately.

The uprating this November will be based on the rise in prices in the 12 months to May of this year. That figure will be announced by the Department of Employment in the usual way, and will be the basis for the uprating statement as soon as possible after that. We have chosen the May figure because it is the latest month we can use as the basis of the

Continued on next page

Hugh Routledge

Inside No. 11 Downing Street: Sir Geoffrey prepares to set off for the House. Behind him is a portrait of Gladstone.

Roger Taylor

The Chancellor, in his office at the Commons before presenting his Budget. With him is Mr John Kerr, his principal private secretary (left)

£8bn

THE BUDGET: The Chancellor's Speech

Help for housebuyers • No 'clawback' on pensions

Continued from previous page

calculation and still make sure that all recipients get their increase in November.

The uprating will be based on whatever the May figure turns out to be. At this stage, of course, it is impossible to say exactly what it will be.

It seems likely, however, to be in the region of 4 per cent. Of course, in November, as I have already told the House, the annual rate of inflation may for a time be running at about 6 per cent. But if we had retained the old system and taken full account of last year's 2.7 per cent overpayment the increase in benefits would have been significantly smaller than is now proposed.

There will be no question of asking pensioners to return any of the pension money they have already received: no question of any so-called "clawback." Beneficiaries will retain the full benefit of the extra payment they are now receiving. And part of it is likely to continue into 1984.

Linked public service pensions will be raised in November by the same percentage as benefits. For unemployment benefit, the increase will be in addition to the restoration of the 5 per cent abatement which I have already mentioned.

On the basis I have described, the position for pensioners over the lifetime of this Government is this. Between the November upratings of 1978 and 1983 prices are likely to have risen by some 70 per cent and pensions by some 75 per cent.

Our pledge to maintain the value of the pension over the lifetime of this Parliament will thus have been more than fulfilled.

There is one other social security benefit to which we attach no less significance. It plays a major part in easing the unemployment trap and so in our strategy of improving incentives for everyone. It is important for families and particularly for the low-paid. Indeed, it is the benefit which provides the greatest help to many of the poorest families in the country. I refer, of course, to child benefit.

I am glad to be able to tell the House that from November 1983 the rate of child benefit will be increased from £5.85 to £6.50. One-parent benefit will be correspondingly increased to £4.05. On the basis of our inflation forecast both benefits will then be worth more than ever before. I know that the House and the country will welcome this news very warmly.

This Government also gives special priority to help for the sick and disabled and for widows. I am proposing further measures to increase that help.

In my first Budget, I exempted from tax war widows' pensions and widows' child dependency allowances. In 1980, I introduced a bereavement allowance to benefit widows in the tax year of their husband's death. However, because their income in that year is already covered by other allowances, many newly widowed women receive no financial benefit from that allowance.

Accordingly, it will now be extended to cover the year after the husband's death as well, at a cost of some £30m in a full year. This means that more than twice as many widows will benefit.

We also intend to provide significant new help for about 55,000 invalidity pensioners. Until now, the so-called "invalidity trap," prevented them from receiving the long-term rate of supplementary benefit. I announced earlier that the unemployed over 60 will now be entitled to the long-term rate. We shall extend this concession to those over 60 who are sick and disabled, so that they too will qualify straightaway for the long term rate.

'Invalidity trap' ended

In addition, I am glad to be able to tell the House that people under 60 who have been on incapacity benefits for a year will also qualify for the long-term rate. This will get rid of the invalidity trap. And quite right too. There will also be an increase from £20 to £22.50 in the amount which disabled and chronically sick people can earn before their benefit is reduced.

While we need to ensure that social security benefits go to those most in need, I am concerned that we should not discourage people from saving. We shall therefore increase from £2,500 to £3,000 the limit above which savings disqualify people for supplementary benefit. There will be an additional disregard of £1,500 for the surrender value of life assurance policies. And we shall also increase to £500 the corresponding limit for single payments of supplementary benefits to help with exceptional expenditure.

We will also help over 11,000 war pensioners by replacing the existing vehicle scheme by a more flexible and equitable cash allowance, set at a rate which will preserve the war pensioners' traditional preference over civilian benefits.

These measures, taken together with the increase in child benefit and one-parent benefit and the ending of the abatement of unemployment benefit, will cost over £140m in 1983-84 and around £400m in 1984-85. The increases over the existing provision in the social security programme will be charged to the contingency reserve. This is in addition to the cost of the extension of the long term rate of supplementary benefit to the over 60s, to which I referred earlier.

But caring means more than cash. Many of the key needs, for example, of the elderly, are met by voluntary groups and charities. If they are to do all they can, we must help the helpers.

Once again we have been pressed to reimburse charities for VAT on their taxable purchases. But, however exhaustively and sympathetically we examine this proposal, the difficulties remain and cannot be swept aside. I have been able in previous years to extend VAT reliefs for the disabled and charities serving them. But a VAT refund scheme would be expensive to operate and indiscriminate in its effects, benefiting not only those charities which do valuable work in the community but also—and sometimes disproportionately so—many other bodies with very limited or controversial aims which do not command public support. So, as before, I have been forced to conclude that we are right to channel our help in other ways.

But I do intend to give some extra help. In 1980 I introduced substantial new tax relief for convenanted donations to charities, by allowing relief against higher rates of income tax up to a ceiling of £3,000 a year; and last year I increased the limit on exemption from capital transfer tax for gifts made within a year of death from £200,000 to £250,000.

I propose now to carry these two measures further by raising to £5,000 the ceiling on higher rate relief for gifts made by deed of covenant and by abolishing the ceiling on exemption from capital transfer tax for charitable bequests. All outright gifts and bequests to charities will now be entirely free from CTT.

I have had representations about the position of companies which would like to second their staff with pay to charities. At present the employee's salary is not allowable for tax because it is not an expense incurred by the company wholly and exclusively for the purpose of its business. For normal business expenses we must continue to stick to that general principle. But I am satisfied that it is right to make an exception in this limited case. Companies which lend staff to work for charities and continue to pay their salaries will now be able to treat the cost as an allowable expense for tax purposes.

I come now to housing and the construction industry. The whole House is anxious to see more activity in this sector. Within the public expenditure plans there is provision for capital expenditure on construction in 1983-84 of over £10bn, a 10 per cent increase on this year's expected outturn. We want this money used effectively for the purpose for which it is intended.

One of our highest priorities has always been the extension of home-ownership. This Government has done more than any other to encourage this. Since we came to office almost half a million public sector tenants have bought their homes; and the fall in mortgage rates over the past year has made it easier for first-time buyers to meet the costs of a mortgage.

But it is now clear that the £25,000 limit on mortgage interest tax relief is beginning to hinder a growing number of families who want to buy their first home or to move. I have therefore decided to increase the limit to £30,000. This will cost some £50m in 1983-84: it will help potential homeowners and the construction industry alike.

At the same time I intend to remove an anomaly whereby a borrower may get tax relief in excess of the ceiling for both an ordinary mortgage and an interest-free loan from his employer.

I also propose to extend mortgage interest relief of the kind already enjoyed by many employees, whose duties prevent them living in their own homes, to self-employed people, like tenant farmers and tenant licensees, who have a contractual requirement to live in accommodation provided for them but who are also buying their own homes. This will be accompanied by a similar extension of the capital gains tax relief applying to a private residence.

We want to help people not only to own their own homes but also to keep them in good repair. Last year I announced a major attack on disrepair by increasing the rates of repairs grants. This has proved very successful. Expenditure in 1982-1983 will be twice that in 1981-82 and a further increase is expected next year.

We have already announced that the higher rates are to continue until the end of 1983-84. And local authorities have been told they may spend without limit on all improvement grants next year. To ensure that we get the greatest impact from this initiative, the limits on expenditure eligible for grant will be increased by *20 per cent*.

Our main aim, of course, is to help people to help themselves. But there are some areas, particularly in the inner cities, where decay in the private housing stock is so bad that concerted action is needed. We are encouraging local authorities to tackle such areas by the process known as *enveloping — where* the authority repairs the external fabric of whole terraces or streets of houses on behalf of the owners. This has proved a cost-effective way of improving an area, and we will be allowing local authorities to undertake additional expenditure in 1983-84 on any approved enveloping scheme.

These two measures are likely to lead to additional expenditure of some £60m in 1983-84. In addition my Right Honourable Friend the Secretary of State for the Environment is today announcing further measures to encourage local authorities to make full use of the resources available to them for capital investment.

Today, I can announce three further steps to help the construction industry.

First, in 1981 I introduced a scheme to defer Development Land Tax on developments for the owners' own use. The scheme, which is due to end in April 1984, has proved valuable, and I propose to extend it to April 1986, at a cost of £4m in a full year.

'Tax is not the only factor in sustaining North Sea potential. Steps taken by the industry to cut costs and the future level of oil prices, will be at least as important'

Secondly, stock relief will from today be available for houses accepted by builders in part exchange on the sale of a new house for the personal use of an individual or his family. This will cost £5m in a full year.

Third, I propose to increase from 10 per cent to 25 per cent the proportion of office space in buildings qualifying for the industrial buildings allowance—an allowance which I increased in 1981. The cost will be about £25m in a full year.

I come now to the indirect taxes.

I propose no change in the present rate of VAT.

In successive Budgets I have sought to establish the sensible presumption that the excise duties should be adjusted broadly in line with the movement of prices from one year to the next. This is essential if we are to maintain the right balance between direct and indirect taxes.

This year too I intend to follow the same approach. But our success in reducing inflation means that the increases I shall be announcing will be much smaller than in recent years. The additional revenue I shall be seeking from duty changes this year is about half of the comparable figure in 1980 and 1982 and about a quarter of that in 1981.

I start with the duties on alcoholic drinks. I propose to increase the duties from midnight tonight by amounts which represent, including VAT, about 25p on a bottle of spirits, 5p on a bottle of table wine, 7p on a bottle of sherry and 1p on the price of a typical pint of beer. On cider, which is increasingly competing with beer, I propose a similar increase of 1p a pint.

As for tobacco, I propose to increase the duty by the equivalent, including VAT, of 3p on the price of a packet of 20 cigarettes. There will be consequential increases for cigars and hand-rolling tobacco, but no increase for pipe tobacco. These changes will take effect from midnight, Thursday.

Increase in petrol duty

Next, the oil duties. I am conscious of the concern felt by a number of my Honourable Friends about the effects of increases in duties on petrol and derv. But at a time when world oil prices are falling it would not be right to allow the real value of the duties to be eroded significantly. I propose therefore to increase the duty on petrol by about 4p a gallon, including VAT. In the case of derv I propose an increase, including VAT, of about 3p a gallon. These changes will take effect for oil delivered from refineries and warehouses from 6 pm tonight.

As in the last two years I propose no change in the rate of duty on heavy fuel oil. The real burden of this duty will this have been reduced since 1980 by some 20 per cent. This will be of considerable continuing assistance to industry, since it will help to hold down its energy costs.

I also propose a number of changes in the rates of vehicle excise duty. For cars and light vans the duty will be increased by £5 from £80 to £85. On goods vehicles, the new duty structure introduced last year allows me to spread the burden more fairly.

In order to bring the rates of duty more nearly into line with the costs the various categories of lorry impose on the road system, I propose to increase the duty on some 190,000 heavy vehicles. This means that I shall, on the same lines, be able to reduce by approximately 10 per cent the rates of duty on some 315,000 lighter commercial vehicles. These changes will take effect from tomorrow.

The total effect of all the changes in excise duties will be to raise additional revenue of some £600m a year. But let me emphasise again that this implies virtually no change in the real burden of indirect taxes in 1983-84. The immediate effect will be to add about 0.4 per cent to the overal level of prices. This has been taken fully into account in the price forecasts which I have given to the House.

I come now to North Sea tax. The development of the North Sea is a notable achievement of private enterprise and the result of a huge co-operative effort involving hundreds of companies and thousands of people. We want this to continue into the future, despite changes in oilfield economics. Tax is not the only factor in sustaining North Sea potential. Steps taken by the industry to cut costs and the future level of oil prices will be at least as important. But the tax structure must adapt as well.

I am therefore proposing a substantially more favourable regime to assist the companies as they move on to develop new fields and, in order to help finance new activity, a package of relief on current fields. The industry will benefit from these changes by more than £800m over the next four years, starting with £115m in 1983-84.

To encourage further exploration and appraisal, I propose immediate relief against petroleum revenue tax for expenditure incurred after today in searching for oil and appraising discovered reserves.

For future fields I propose two important new incentives. First, the oil allowance, which is the quantity of oil production exempted from PRT, will be doubled for such fields.

Second, my Rt Hon Friend the Secretary of State for Energy will be taking steps to abolish royalties for these fields. The changes will apply to future fields where development consent has been given on or after April 1 1982, with the exception of the relatively more profitable Southern Basin and onshore fields. I am ready to discuss with the industry whether there is a need to extend these incentives to the Southern Basin fields. If I were to be persuaded of the need, any extension would be backdated to development consents issued after today.

Glenn Copus

Sir Geoffrey Howe, Chancellor of the Exchequer, acknowledges the cheers of onlookers in Downing Street before learning for the House of Commons

Most existing fields make good profits. But to improve current cash flow, I have decided progressively to phase out Advance Petroleum Revenue Tax. As a start, the 20 per cent rate will be reduced to 15 per cent from July 1, and APRT will disappear completely by the end of 1986.

An Inland Revenue press release will give further details, and also describe other proposed changes in oil taxation. They include, following the consultative document published last May, proposals on PRT reliefs for expenditure on shared assets such as pipelines, and for charging related receipts.

The proposals will give significant additional relief on expenditure and will exempt tariffs on half a million tonnes of oil a year from each field using a pipeline. This will encourage the shared use of *these assets*.

I believe that my proposals will provide the industry with the right fiscal incentives for the further successful development of the country's North Sea resources.

From one key industry I turn now to business and industry as a whole. Our living standards and jobs depend on our ability to sell and compete, producing the right goods and services at the right time and the right price. The main responsibility for achieving this lies with industry and commerce. But government can help by reducing the burdens it places on business.

These can be twofold. High inflation and excessive public borrowing have in the past kept interest rates and business costs higher than they need have been. We have made progress in putting that right. But government also imposes direct burdens on business, and here too we have acted to help cut costs. I have given high priority to reducing the National Insurance Surcharge (NIS), the tax on jobs first introduced and then increased by our Labour predecessors.

In last year's Budget I cut NIS from 3½ per cent to 2½ per cent. In November I announced that, for 1983-84, the rate would be further cut to 1½ per cent. On top of this I made special arrangements to enable half of that further cut of 1 per cent to be brought forward into 1982-83.

I now propose that the rate be reduced from 1½ per cent to 1 per cent from August 1983. As before the benefits will be confined to the private sector. This cut is worth another £215m in 1983-84 and nearly £400m in a full year.

The surcharge was 3½ per cent when this Government took office. We are now well on the way to abolishing it. The reduction from 3½ per cent to 1 per cent will be worth nearly £2bn to private business in a full year.

Thoughtful responses

On corporation tax, we issued a Green Paper over a year ago. I am grateful for the many thoughtful responses, which we have examined carefully. There is one impression that stands out.

That is the overwhelming desire on the part of industry for stability in the corporation tax regime. I recognise the force in this. Change is not costless. I have therefore concluded that there should be no change in the broad structure of the present arrangements. As regards the taxation of inflationary profits, I await the outcome of the accountancy profession's further considerations.

There are, however, some useful changes on which I can make a start today.

At present, advance corporation tax can be carried back two years to be set against corporation tax. I propose to extend this over a period to six years. I also propose that the incidental business costs of issuing acceptance credits and of issuing certain convertible loan stocks should be allowable expenses for corporation tax *purposes*.

There are other areas where we need to make progress, including the tax treatment of groups and capital allowances for the mineral extraction industries. I am authorising the Inland Revenue to look further at these issues, and to consult on them where necessary.

On the taxation of international business, I have considered carefully the responses to the latest round of consultation. I have decided not to proceed this year with measures concerning company residence and upstream loans. Both need further consideration.

On tax havens, however, I propose to move clauses which take account of the recent consultations. These will not come into effect until April 1984.

This change should be considered alongside one other proposal that flows from the Corporation Tax Green Paper. At present, credit for foreign tax on overseas income is only allowed against such part of a company's corporation tax liability as remains after deduction of ACT.

As a result of representations received in response to the Green Paper, I propose that from April 1984 this double tax relief should be allowed against the full corporation tax liability before ACT is deducted.

As I have said, my proposals on tax havens and on AST and double tax relief have to be seen together. Between them, they will not involve any increase in the total burden of tax on international business. But they do mean a switch in the tax burden away from those who remit profits home and on to those who accumulate surplus cash balances in tax havens overseas. I am sure the House will agree that this is right.

To turn to a different area, I announce each year the future scale rates for measuring the benefits from company cars. *Recent increases have been at* a rate of 20 per cent, but the levels still fall short of any objective measure of the true benefit.

This year, I am proposing further increases with effect *from April 1984*; but they will be held to about 15 per cent. These increases will also apply from the same date to the new car fuel scales which come into operation next month.

I have also decided to legislate to bring back into tax the benefit from scholarships provided by employers for the children of their higher paid employees. There will be a transitional exemption for awards made before today so that scholarship income in respect of an existing award will continue to be exempt until the child leaves his present school or college.

I propose too to remove an anomaly by which some people have their tax bills artificially reduced because their employers do not account for PAYE at the right time and then pay too little. I also propose with effect from April 1984 to increase substantially the tax measure of the benefit gained by an employee who occupies rent-free, or at a very low rent, expensive accommodation owned by his employer.

The House will be aware of instances of tax avoidance through the exploitation of group relief, and through the exploitation of so-called second-hand bonds. I propose legislation to deal with these abuses and also to improve the arrangements for collecting DLT on disposals by non-residents.

Changes to aid small companies

And now a word about banks. I said last year that we would be giving further thought to the problem of how best to ensure a sufficient contribution to tax revenues by the banking sector.

I have examined the position with great care in the light of current circumstances, and have concluded that it would not this year be sensible to tighten the tax regime for banks.

Finally for the company sector, I propose some changes that are designed specifically to help small and medium-sized companies. At present the so-called small companies rate of corporation tax is 40 per cent and applies to taxable profits up to £90,000. The 52 per cent rate is payable at £225,000. I propose to reduce the 40 per cent rate to 38 per cent, to raise the lower limit of £90,000 to £100,000, and to raise the *upper limit from £225,000 to* £500,000.

Between these two limits profits are subject to a marginal rate which stood at just over 66 per cent when this Government came into office. I have already reduced it to 60 per cent. The changes that I am proposing today will bring it down to 55¼ per cent—only a little above the main 52 per cent rate.

These changes will concentrate the help that I can give on the many small and medium-sized companies with taxable profits of up to £½m. The cost will be £40m in 1983-84 and £70m in a full year.

Small and medium-sized enterprises are a major source of new wealth for the nation and, above all, of new jobs. I shall, therefore, propose today a further series of measures which will foster their growth, greatly extending those which I have already introduced and whose results are already evident.

I am told that Britain now offers a more attractive tax environment than Germany for venture capital and for the micro - electronics revolution. That was not so five years ago.

I now propose further action in a number of areas.

I want more people to share in the ownership of the companies for which they work. It *is both a good incentive* and a good way for people to build up a capital stake. The measures so far introduced have already brought us to the position where about a quarter of a million employees receive shares *each year*.

'Our living standards and jobs depend on our ability to sell and compete, producing the right goods and services at the right time and the right place. The main responsibility for achieving this lies with industry and commerce. But Government can help by reducing the burdens it places on business'

But I want to make these employee profit sharing schemes more attractive and more flexible, while still open to all employees. Already companies can give tax-free shares to employees each year up to the value of £1,250. I propose to add an alternative limit of 10 per cent of the employee's earnings, up to a maximum of £5,000.

This new freedom will provide still further encouragement to management upon whom so much depends.

Important incentive

Share options for senior managers also provide an important incentive. Last year I introduced arrangements to spread the income tax burden that can arise when an option is exercised. I propose this year to increase the instalment period from three years to five *years*.

Save As You Earn linked share option schemes already cover over 100,000 employees. The monthly limit on contributions with tax relief now stands at £50. In order to encourage further growth I propose increasing it to £75. The total cost of all these share incentive measures will be £20m in 1983-84 and some £35m in a full year.

I also want to ease the path for employees of a company who seek to buy the business for which they work. The transformation that followed the employee buy-out of the National Freight Company shows how valuable this can be. In order to help those who borrowed to take part in this buy-out and to encourage similar success, I propose that where an employee-controlled company is being set up the employees should benefit from interest relief on loans they take out to buy shares in it.

Capital taxes can suffocate enterprise. Last year we took the major step of indexing capital gains. It is clearly appropriate to provide a period of stability to let the new structure settle in.

We have already announced that administrative measures will be introduced to help large institutional investors. I now propose that, as the legislation provides, the annual exempt amounts for individuals and for trustees should be increased in line with inflation. And I propose to increase to £20,000 the limits on the relief for small part disposals of land and for residential letting.

I propose to double the present retirement relief, raising it to £100,000. This will further encourage entrepreneurs to keep money in their business where it can work to best effect. I have received a number of representations that other features of the present relief cause difficulty, and we shall therefore be conducting further consultations later this year.

The cost of the CGT measures I have announced will be £15m in a full year. There will be no cost in 1983-84.

On capital transfer tax, I propose to increase the threshold and rate bands broadly in line with indexation. As a result the threshold will rise from £55,000 to £60,000.

I am concerned that the prospect of capital transfer tax may still discourage those who are contemplating investing capital in small businesses. It may also be one of the factors reducing the number of farms available for letting. I therefore propose to increase relief for minority shareholders in unquoted companies and for let agricultural land from 20 per cent to 30 per cent.

The cost of these changes in *capital transfer tax will be £20m* in 1983-84 and £55m in a full year. Other minor changes to CTT and CGT are set out in Inland Revenue Press notices.

I propose two other measures to help small firms. The VAT registration threshold will be increased with effect from midnight tonight from £17,000 to £18,000 at a cost of £5m in a full year.

And I propose to increase from £200 to £1,000 the de minimis limit for assessment of investment income apportioned to the members of a close company.

Now, innovation and technology. I have already announced an increase in the proportion of office space in buildings qualifying for the industrial buildings allowance.

This additional flexibility will be of particular value in the high technology industries, which often need relatively large amounts of space for design and computer-based activities. It will cost about £25m in a full year. On the tax side, I also propose to extend the 100 per cent first-year allowance for rented teletext receivers until May 1984, and for British films until March 1987. The full year cost of these two measures will be £10m and £30m respectively.

On the public expenditure side, I propose a range of *measures for the encouragement* of industry and enterprise worth £185m over the next three years.

The West Midlands have been particularly hard-hit by the current recession. Small engineering firms are even more important in that region than in other parts of the economy. They need help to modernise and rebuild their strength. I propose, *therefore, to make available* an extra £100m over the next three years to enable my Rt Hon Friend the Secretary of State for Industry to re-open the Small Engineering Firms Investment Scheme.

The scheme is already a proven success: 1,750 applications were received last year and more than 1,400 offers of assistance *have been made*. It is open to qualifying firms in any area; but, as one would expect, a high proportion of the first allocation went to firms in the West Midlands.

This new and much larger allocation should bring substantial further help to the region as well as to small engineering firms generally.

Sir Geoffrey Howe in his room at the House with the text of his Budget speech.

Continued on next page

Freeports experiment to be allowed

Continued from previous page

In the field of information technology, further assistance will be available to enable firms to evaluate the benefits of computer aids for production management and for the development of innovative software products.

At the moment grants are available for research and development but there is no special facility for encouraging the marketing and investment stages of the innovation process. To fill this gap a new scheme will be introduced, which will be of special value to small and medium-sized companies.

There will also be an increase in expenditure on the Department of Industry's manufacturing and design advisory services. These provide small firms with a free introduction to private sector consultancy services and have proved highly successful.

Mr Rt Hon Friend the Secretary of State for Industry may have an opportunity at a later stage in this debate to describe these measures in more detail.

Taken together with measures previously announced they will mean that Government assistance on new technology and innovation will have doubled since this Government took office.

Last year, I extended the small workshop scheme by two years for very small industrial units. The scheme is proving very effective in promoting the provision of premises for new businesses.

This year I want to encourage the conversion of more old buildings into productive workshops: I propose to allow all such units in a single converted building to qualify for 100 per cent first year allowances if on average they meet the size requirements.

Now I come to the important matter of finance for business, on which I have major improvements to propose.

Companies and monetary policy alike would both benefit from a revival of the corporate bond market. Lower long-term interest rates are the key to this. But there are also a number of ways of giving companies greater flexibility in the nature *and timing of the bonds they* issue.

A consultative document on deep discount stock was issued on January 12. It set out a range of options. I am grateful to those who responded.

I now propose to introduce attractive tax arrangements for this stock. The borrower will get relief on an appropriate accruals basis, but the investor will pay tax only at redemption or on sale. There was considerable support for such tax treatment.

Companies will still be able to issue conventional or indexed bonds. My proposal extends their range of options.

I also propose certain reliefs to enable companies to issue Eurobonds *in this country* and to ensure that full tax relief is available for discounts paid on acceptance credits.

We shall be issuing on March 21 a consultative document on the possibilities for the simplification of stamp duty.

The Loan Guarantee Scheme is another important innovation that we have introduced. My Hon Friend, the Parliamentary Under-Secretary of State for Industry, has conducted a thorough review of the scheme with the help of outside consultants. He will be making a full statement tomorrow. It is clear that the scheme has usefully encouraged lending to the small firms sector. Nearly £500m has been lent to some 9,000 companies, about half of them new businesses. As a result, the scheme is now close to its present ceiling of £300m.

This ceiling will therefore be raised to £600m to enable the scheme to run its full three year course to May 1984, and we may need to seek the House's approval for an increase in the statutory limit for this purpose.

On March 3 I informed the House about the publication of the report of the working party on freeports, under the chairmanship of my Hon Friend, the Economic Secretary to the Treasury. I can now tell the House that the Government accepts the report and will implement its recommendations. Legislation will therefore be introduced in the Finance Bill to enable selected freeport sites to be designated.

Freeports are a new trading concept for the UK and I regard it as essential to make a careful test of the facilities they offer. As the report recommended, therefore, the first step is to establish freeports on an experimental basis in a limited number of locations. Widespread consultation will be needed before the sites are chosen.

Last, but far from least, the business start-up scheme. This scheme, announced in my 1981 Budget statement, offers uniquely generous tax incentives to outside investors in small companies. It is not bettered anywhere in the world. But I now intend to better it.

When I introduced the scheme I thought it right to give priority to investment in business start-ups, where there is often the greatest difficulty in raising outside equity finance.

I now propose a major extension of the scheme. It was due to end in April 1984. The life of the new, extended scheme will run to April 1987. From April 6 the coverage will be greatly widened, to include not only start-up companies, but qualifying established unquoted trading companies as well. I propose also to double the allowable maximum investment in any year from £20,000 to £40,000. A number of other changes will be made to improve the scheme. In particular the 50 per cent limit on qualifying shares will be dropped. The cost of these changes is difficult to estimate, but could be £75m in a full year.

'Small and medium-sized enterprises are a major source of new wealth for the nation and, above all, of new jobs. . . . I propose measures which will foster their growth'

These proposals will transform the position of unquoted *trading companies seeking outside equity.* It is a further move towards removing the bias in the tax system against the personal shareholder, and a further measure to encourage wider share ownership. By concentrating help on those companies which do not have ready access to outside capital the scheme will assist many more small and medium companies to realise their undoubted potential for growth. The new, extended, scheme will be known as the Business *Expansion Scheme.*

Our constant concern as a government has been to improve the competitive environment for businesses and people who work in them. These proposals mark a further major step in that direction.

In judging the right balance to strike in this Budget I have taken into account the measures I announced in the autumn which will directly reduce business costs. I have also taken account of the lower level of the exchange rate. As I said in my Budget speech two years ago, exchange rate changes alter the distribution of income between companies and persons. A higher exchange rate boosts personal spending power but it squeezes the profits of companies exposed to international competition. Consequently, in my 1981 Budget, personal income tax thresholds remained unchanged in order in part to be able to offer some help to companies.

The same considerations led me to direct over two-thirds of the real tax reductions in my 1982 Budget towards business and industry, in order to help cash flow and rebuild profits. In this Budget too the measures I have announced so far go largely in the same direction. Taken together with the net effect of the changes that I announced last autumn, they will provide help for business and industry that is worth around £1½bn in a full year.

And that is less than half the story. For, if revenues from taxes paid by business—apart from the North Sea industries—were the same share of total taxes in 1983-84 as they were in 1978-79 then these businesses would have to pay some £3bn more than is forecast for the coming year.

But profits have fallen, and over the years I have acted deliberately to lighten the load. And I have done so in recognition of the case for helping business which has been strongly, and rightly, argued in debate after debate and from all quarters of this House.

I don't believe any Hon Member would suggest that business and industry should pay more tax.

But I have had to recoup the £3bn. And I have had to do this alongside the need both to hold down borrowing—not least to secure lower interest rates, and hence reduce business costs—and to finance public expenditure. Although spending is now being restrained, it is worth noting again that there are few Hon Members who have not called for increases, rather than cuts.

It is considerations of this kind which have led to the burden of tax on people, under successive Governments, becoming so unacceptably high. *The House and the country* must face this reality: spending at current levels, which some still regard as too low, together with current levels of tax on business, which many regard as too high, have brought successive Governments to a position where there has been no alternative to high levels of tax on people.

But the fact is that reductions in personal taxation themselves help business and employment. Indeed, it is the individuals who work in business who largely determine business success.

Yet for years in Britain the tax system and the tax burden have discouraged individual effort, commitment and enterprise. By strengthening incentives through lower personal taxes, government can help increase the commitment to business success at every level. And when the State takes less of what people earn, there is less justification for excessive pay demands and settlements. Cuts inpersonal tax provide a vital stimulus for lasting growth and jobs.

Happily, because we are reining back public spending — though not yet far enough—the choice is less stark now than in the past. I am able to combine the significant measures of direct tax relief to industry and enterprise which I have just announced with a substantial measure of direct tax relief to *people.*

Acknowledged unfairnesses and anomalies produced by the overlap between the tax and social security systems give further compelling *reasons to* move in that direction. It makes no sense that people on low incomes should be paying tax at all. And low tax thresholds are of course an important part of the poverty and unemployment traps.

These traps mean that some of those out of work who could find a job, and some of those in work who could find a better one, do not do so because they would end up no better off, with all or more of their increase in income taken in tax and *National Insurance* contributions, or lost in benefits foregone.

This is a situation that demands reform. But those who claim to have found a quick, cheap way to dispose of the poverty and unemployment traps deceive themselves. The problem has grown up almost entirely because Governments for 30 years or more have increased benefits in line with earnings, but raised personal tax thresholds only in line with prices, which have grown much more slowly over the years.

In 1950, the tax threshold for a married man was about two-thirds of average earnings. Today it is barely more than one-third.

A situation that has built up over 30 years cannot be put right in one Budget or even one parliament. These problems have arisen, moreover, not because Government spends too little, but because successive Governments have spent and taxed too much.

The substantial increase which I have proposed in child benefit will improve work incentives for the low paid. And several of the measures we have taken since 1979 have reduced the unemployment trap. But it is only by limiting public spending, as we have done, that we can begin to get to grips with the problem along the lines I now propose.

In 1979 I reduced the basic rate of income tax from 33 per cent to 30 per cent and cut the top rates. That was one of the first and most radical of the many *changes that found a* place in my first four Budgets. This year we can cut personal taxation again. But I do not propose any further reductions in rates. For the reasons I have just given it is thresholds and allowances that must take priority.

Two years ago, in order to curb inflation and allow lower interest rates, income tax allowances were not raised at all. That was a difficult decision but necessary in the circumstances. And it has since brought great benefits. *It was* the firmness of that 1981 Budget which paved the way towards the lower inflation and lower interest rates which today *offer the prospect of lasting* economic recovery.

It is right that the benefit of the sacrifices of 1981 should be enjoyed now by those who made *them then.*

Last year I increased tax thresholds and bands by 14 per cent. This year I also propose an increase of 14 per cent. But because inflation is today so much lower that now represents a real increase of not 2 per cent, as last year, but 8½ per cent.

Income tax thresholds will be increased for the single person from £1,565 to £1,785 and for the married person from £2,445 to £2,795. The additional personal allowance paid to single parents and the widow's bereavement allowance will be increased in consequence from £880 to £1,010. The age allowance for a single person will go up from £2,070 to £2,360 and for a *married person from* £3,295 to £3,755. Corresponding increases will be made in the higher rate thresholds and bands and the threshold for the *investment income surcharge.*

Effect will be given to these changes under PAYE as from the first pay day after May 10. For a married man on the basic rate they will be worth £2 a week. The cost to the PSBR, above indexation, will be £1bn next year. Including indexation, the total revenue foregone will amount to some £2bn in 1983-1984 and £2½bn in a full year. Some 1¼m fewer people will pay tax in 1983-84 than if thresholds had remained at their present levels.

At the start of my speech, I referred to the objectives this Government adopted in 1979, to which we have held, and still hold. From my first Budget we have pursued those objectives with consistency and firmness of purpose, and laid the foundations for sustainable recovery.

This is a Budget for that recovery: a Budget for the family, a Budget for enterprise—and, most of all, a Budget for Britain's continuing recovery.

The Chancellor rose at 3.38 pm and sat down at 5.01 pm, having spoken for one hour and 23 minutes.

Foot attacks 'the grim message'

BY IVOR OWEN

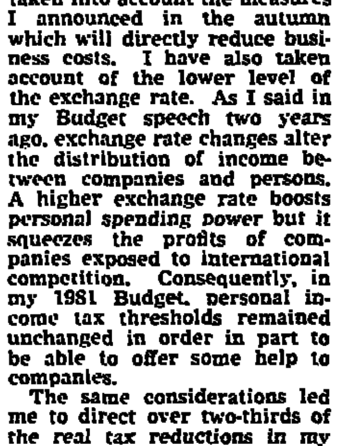
THE BUDGET will make little contribution to solving the fundamental economic and industrial problems facing Britain in spite of the enthusiastic response by many government supporters, Mr Michael Foot, the Opposition leader, claimed in the Commons last night.

Running an accusing finger along the Treasury bench, he declared: "This Budget, this Chancellor and this Cabinet are squalidly inadequate to deal with the real problems of industrial decay and mass unemployment."

Mr Foot, frequently heckled by Ministers, saw Sir Geoffrey Howe's pledge not to change course as a grim message to the nation that there will be no let-up in the policies which had brought an unparalleled fall in output and record unemployment.

He told his Conservative critics that the cheers won by the Chancellor in the Chamber would prove ephemeral. The Budget offered no prospect of recovery in the real world outside.

Mr Foot stressed that the tax cuts fell far short of the total needed to reduce the burden on the taxpayer to the levels prevailing when the Government took office in 1979.



Michael Foot: "need to change course"

They would increase the divisions in the nation, with the Government continuing to confer the main benefits on the rich.

He maintained that pensioners were entitled to more generous treatment. He renewed Labour's pledge to restore the link with the rise in earnings removed by the Government.

Mr Foot scoffed at the boasts made by the Chancellor about the help to encourage small businesses.

Emphasising that company liquidations had reached record levels, he demanded: "What about your closing-down scheme for small businesses?"

Mr Foot dismissed the help provided for the construction industry as "trivial" and asserted that the Chancellor's renewed predictions of economic recovery had been far more tentative than on earlier occasions.

On the Government's own admission, unemployment was "intolerably high," but the Chancellor continued to argue that nothing could be done about it.

Mr Foot contended that the Government's insistence that there was no alternative was just part of the "interlocking network of falsehoods" that Labour had to expose in the country.

"We are determined that it will have an opportunity to change course," he said.

A prominent Conservative "wet," Mr Christopher Patten, MP for Bath, was also strongly critical of the Chancellor's failure to take more positive action to reduce unemployment.

He urged Ministers not to take the view that the size of the unemployment total did not really matter and that they could safely rely on the political cynicism of the 87 per cent of the population actually in jobs.

Mr Patten agreed that it might prove to be the case that the experience of so many young people being out of work would not result in their becoming alienated from society. But he added: "That is not necessarily the lesson to be drawn from the evils in Northern Ireland."

Mr Patten also called for a move away from the idea that it was necessary to contain the size of the public sector borrowing requirement because it was regarded by the markets as a yardstick of the Government's fiscal rectitude.

"I think it is time for the visible hands of the politicians rather than the invisible hands of the market to take a part in the proceedings," he said.

Budget jokes are a serious business

MEMO TO the Chancellor of the Exchequer: "If you plan to make jokes at the start of a future Budget speech, then suggest you practice them more thoroughly beforehand."

Presumably a note to this effect will land shortly on Sir Geoffrey Howe's desk following *the contretemps at the beginning* of yesterday's Budget.

In a conversational tone, he announced that the longest Budget speech of all time had been made by Mr Gladstone on April 18, 1953 (sic). We all know that Mrs Thatcher is trying to bring back Victorian values, but this was ridiculous.

"Resign, resign," *shouted some* Labour MPs. Others jeered scornfully, presumably in the belief that a mistake of this magnitude was just the sort of thing to be expected from the present Chancellor.

Mr Bernard Weatherill, the deputy Speaker, intervened to suggest that perhaps the Chancellor would like to start

PARLIAMENTARY SKETCH

again. The irreverent Labourites thought this was a thoroughly good idea. What about going back to May 1979 and rewriting all the Government's economic policies since that date?

But Sir Geoffrey is an imperturbable sort of chap, and *start again* he did, explaining that he meant 1853 when the great Liberal Prime Minister had made a Budget speech of four and three-quarter hours.

Sir Geoffrey, however, would try to emulate Mr Disraeli who delivered the budget in 45 minutes in 1857, one of the shortest on record. The Tory wets, who have been curiously silent recently, stirred uneasily at the unfamiliar experience of hearing the monetarist Chancellor using the name of their favourite Victorian PM.

In fact, Sir Geoffrey's arithmetic was not too good on this point either, as he ended up speaking for one hour and 22 minutes.

His unfortunate verbal slip did not prevent him venturing one or two quips later. He slapped 3p on the price of 20 cigarettes but left the duty on pipe tobacco unhcanged, assuring Sir Harold Wilson, the former Labour Prime Minister, that "the pipe in his pocket has not been devalued." This merely provoked a drone from the Labour benches.

It was some of Sir Geoffrey's serious arguments which had *the Opposition laughing*—even though their mirth had a bitter tinge.

If the Government let up in the battle against inflation, confidence would collapse and jobs would be destroyed, he said. Labour MPs thought this was pretty rich coming from a Government which had presided over unemployment of more than 3m.

Sir Geoffrey recalled the Government's pledge to restore the abatement on unemployment benefit and declared: "It is right now to redeem that pledge." This brought more scornful chuckles from the benches opposite and was taken as a sure sign that a *general election was not too* far away.

As Sir Geoffrey plodded on, Mr Merlyn Rees, on the Labour front bench, seemed to keep dozing off and Mr Brynmor John, sitting next to him, apparently had a job keeping his eyes open. Perhaps they thought they had read it all in the Sunday papers anyway.

Sir Geoffrey sat down to a rather dutiful cheer and some waving of order papers from his backbenchers. There was a somewhat ostentatious show of support from the Labour benches as Mr Michael Foot, who has been having a rough time of late, rose to put his case.

Many of his jokes also seemed firmly embedded in the last century. Dismissing Gladstone and Disraeli, he felt that Sir Geoffrey's "grizzly bonhomie" reminded him more of Sir Robert *Peel*, another Victorian Chancellor, of whom it was said "his smile was like a silver plate on a coffin."

But his most *lengthy quotations* were from Sir Alex Cairncross, the Keynesian economist, who blamed much of the recession on the non-interventionist policies of Western governments. Just for good measure there was also a passage from the great Keynes himself.

None of this had any effect on the opinion of Mr David Atkinson (C. Bournemouth East) who congratulated Sir Geoffrey on "another sound and first-class Budget statement."

This remark brought some brief and direct advice from Labour MPs. "Start again!" they shouted at the Tory back-bencher.

John Hunt

Taxation of international business

Moves on low tax areas

AFTER the Chancellor sat down the Inland Revenue released the following statement:

Th Chancellor proposes in his Budget *to enable a charge to* corporation tax to be imposed on certain UK resident companies with interests in UK controlled companies resident in low tax countries. *Legislation, which* will take effect from April 6 1984, will be contained in this year's Finance Bill. The Chancellor does not propose to proceed *this year with any* measures on company residence or upstream loans.

These related issues were discussed in the consultative document "Taxation of International Business" published by the Inland Revenue in December 1982. The Chancellor's proposals have been formulated in the light of the response to that document.

The December 1982 consultative document proposed measures to counter the use of controlled foreign companies in low tax countries where avoidance of UK tax was the main, or one of the main, purposes of the activities.

It contained draft clauses which would enable a charge to corporation tax to be imposed on certain UK companies with at least a 10 per cent interest in foreign companies under UK control but resident in a low tax country. Representations made on the draft clauses have been carefully considered and a number of changes will be made in response to them. *Details of the changes will be* announced at the time of publication of the Finance Bill.

The December 1982 document announced the Government's decision not to proceed with a statutory definition of company residence. It also stated that the Government intend to bring forward specific measures to deal with arrangements which take advantage of the current company residence rules.

In November 1981, the Inland Revenue published, in the consultative document "*International Tax Avoidance,*" draft clauses designed to remove the tax advantages available where an overseas subsidiary remits profits to the UK in the form of a loan, instead of a dividend. In the light of the response to that document the Government deferred action to give the issue further consideration bearing in mind the need to distinguish and protect loans made in the ordinary course of business.

The legislation on controlled foreign companies which will be contained in the Finance Bill retains the definition of a "lower level of taxation" provided by clause 3 of the draft legislation published in the December 1982 consultative document "Taxation of International Business."

This means that an overseas company will be subject to a lower level of taxation if the tax paid in its country of residence on profits arising in an accounting period (the local tax) is less than one half of the notional UK tax (computed without credit for the local tax) that would have been payable for the accounting period had the company been resident in this country.

Once the legislation is enacted it is proposed to publish a list of countries which will not be regarded as "low tax" countries for this purpose. A final list cannot be prepared at this stage since it must depend on the details of the legislation as enacted. In any event it has not yet been possible to examine the relevant laws of all *overseas countries which may* appear on a final list.

But the Government have decided that subject to these necessary qualifications a provisional list (attached) should be made available now before the legislation is introduced. A definitive list will be published as soon as possible after the Finance Bill receives Royal Assent.

A company which is resident in and carrying on business in a country within Part I of the list given later would be excluded from the application of the proposed legislation. Where the country of residence appears in Part II the company would be similarly excluded provided *it is not subject to any* relief specified.

If a company is resident in a country not on the list or if it is entitled to one of the reliefs specified in Part II, it does not follow that a charge would be made in respect of it. In either case it would be necessary to consider whether the company is in fact subject to a lower level of taxation as defined in the legislation, and if so, whether any of the other statutory tests for exclusion (including the motive test) are satisfied.

Part I Countries not regarded as "low tax":

Algeria, Argentina, Australia, Austria, Bangladesh, Belgium, Belize, Botswana, Brazil, Brunei, Bulgaria, Burma, Cameroon, Canada, China, Czechoslovakia, Denmark, Dominica, Egypt, Ethiopia, Falkland Islands, Faroe Islands, Fiji, Finland, France, Gambia, German Democratic Republic, German Federal Republic, Ghana, Greece, Hungary, Iceland, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Japan, Jordan, Kenya, Republic of Korea, Lesotho, Libya, Malawi, Malaysia, Malta, Mauritius, Mexico, Morocco, Namibia (South West Africa), New Zealand, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Romania, St Kitts, St Lucia, Saudi Arabia, Seychelles Sierra Leone, South Africa, Soviet Union, Spain, Sri Lanka, Sudan, Swaziland, Sweden, Taiwan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Uganda, U.S., Venezuela, Yugoslavia, Zaire, Zambia, Zimbabwe.

Part II, Countries not regarded as "low tax," subject to qualifications stated:

Ireland: Companies obtaining relief or exemption from tax under Part V of the Corporation Tax Act 1976 or Section 43 of the Finance Act 1980 (profits from trading within Shannon Airport).

Luxembourg: Companies obtaining any special tax benefit under the law of July 31, 1929, decree of December 17, 1938, as amended or Grand Ducal Regulation of July 29, 1977 (holding companies).

Netherlands: Companies obtaining relief or exemption from tax under Article 13 of the Corporate Income Tax Law of 1969 (affiliation or substantial participation privilege).

Singapore: Companies subject to the concessionary rate of tax for insurance and reinsurance of risks outside Singapore by virtue of Section 43C of the Income Tax Act as amplified by the Income Tax (Concessionary Rate of Tax for Income from Insuring and Re-insuring Offshore Risks) Regulations 1980.

Also, companies subject to the concessionary rate of tax for specified Asian Currency Unit income by virtue of Section 43A of the Income Tax Act as amplified by the Income Tax (Concessionary Rate of Tax for Asian Currency Unit Income) Regulations 1979.

Capital gains tax

Individual limit £5,300

AFTER the Chancellor had sat down, the Inland Revenue issued the following statement:

The Chancellor proposes in *his Budget to make a number* of changes to capital gains tax. They are as follows:—

- An increase in the annual exempt amounts in line with the *retail prices index. For 1983-84,* an individual will be exempt on the first £5,300, and most trusts on the first £2,650, of capital gains;
- *An increase from £50,000 to* £100,000 in the maximum amount of the relief available for those who dispose of their business on retirement;
- *An increase from £10,000 to* £20,000 in the maximum amount of the relief for those who let part of their own house;
- An increase from £10,000 to *£20,000 in the limit applied* to the relief for small part-disposals of land;
- The abolition of the small-gifts exemption and the facility for the payment of capital gains tax by instalments;
- A relaxation in the treatment of gains which arise on overseas bank accounts held by those who are resident, but not domiciled, in this country;
- Two changes to the provisions related to settled property.

The Finance Bill will also contain administrative provisions to enable companies to have all their holdings of shares, and certain other types of assets, treated under special rules for the purposes of calculating the indexation allowance. This legislation was announced by the Financial Secretary on December 23 1982.

Annual exempt amount:

At present, an individual whose total net gains in a year of assessment do not exceed £5,000, is not liable to capital gains tax. This exemption is also available to the trustees of a settlement for a mentally disabled person or for a person in receipt of attendance allowance, *and to personal representatives* for gains accruing to them in the year of death and in the two following years of assessment. For trustees of other *settlements the exempt amount* is £2,500.

Following the statutory indexation provisions introduced last year, it is proposed, for 1983/84, to increase the exempt amount of £5,000 to £5,300, and that of £2,500 to £2,650. These increases are in proportion to the increase in the general index of retail prices between December 1981 and December 1982 (5.4 per cent).

Retirement relief:

*At present, this relief pro*vides an exemption of up to £50,000 of gains on the disposal of a business or of shares in a family trading company. A sliding scale gives a reducing measure of relief for those aged *between 60 and 65. In relation* to disposals taking place on or after 6 April 1983, it is proposed to increase the maximum amount of this relief to £100,000 with proportionate increases in the sliding scale.

Relief for resident landlords:

This was introduced in 1980 and gives a measure of relief from capital gains tax to those who let part of their own house. The relief is in respect the gain made on the part of the house which is let, and is subject to an overriding limit of £10,000, or the amount of relief due on the remainder of the house. It is now proposed to increase this *limit to £20,000 in respect of* disposals on or after April 6 1983.

Small part-disposals:

This relief removes the need, for capital gains tax purposes, of a valuation of an entire holding of land at the time of the disposal of a small part of it. In *these circumstances, the sale* proceeds are deducted from the original cost of the holding, thus deferring any charge on the sale proceeds until disposal of the entire holding. There is an upper limit on the value of the land disposed of which can qualify for this relief. At present, this limit is £10,000. It is now proposed to increase it to £20,000 for disposals on or after 6 April 1983.

Small gifts exemption and payment by instalments:

There is an exemption from capital gains tax when an individual makes a gift of an asset, the market value of which does not exceed £100. This is an administrative measure and the limit has not been changed since it was introduced in 1965. It is now of little practical significance, and the proposal is that it be abolished.

As a further simplification, it is proposed to withdraw the facility to pay capital gains tax in *instalments over eight years* on the gift, or deemed disposal by trustees, of certain kinds of assets. The instalment facility is of little practical benefit now that these disposals attract roll-over relief.

Overseas bank accounts:—

At present, gains realised on transactions through the overseas bank account of a person domiciled outside, but resident in, this country are charged to capital gains tax, whether or not the gains are remitted here. It is proposed that, with effect from April 6 1983, any such gains will be charged only if remitted to this country.

Settled property; acquisition costs; persons receiving assets from overseas settlements:—

Hitherto, the Inland Revenue has taken the view that section 54 of the Capital Gains Tax Act *1979 (deemed disposal and* reacquisition at market value by trustees, when a beneficiary becomes absolutely entitled to trust assets) generally does not apply *where the trustees* are neither resident, nor ordinarily resident, in the UK. The view has been that the acquisition cost, for capital gains tax purposes, of assets acquired by a beneficiary, who becomes absolutely entitled to them under the terms of an overseas settlement, is determined by section 29A of the Capital Gains Tax Act 1979, which allows an acquisition cost equal only to the consideration, if any, actually given by the beneficiary for the assets to which he becomes *absolutely entitled.* Following recent further legal advice, however, the Inland Revenue now considers that the better view is that section 54 *does* apply. Such a beneficiary will consequently be deemed to have acquired assets to which he becomes absolutely entitled at their market value.

The Chancellor now proposes in his Budget that, with certain exceptions (see next paragraph), the acquisition cost of trust assets to which a beneficiary has become absolutely entitled, as against *trustees who* are neither resident nor ordinarily resident in the UK, will not be determined by section 54 of the Capital Gains Tax Act 1979. As a general rule, therefore, assets received by such a beneficiary will have an acquisition cost in his hands equal to the consideration, if any, given by him. The new rules will be *applied* from April 6 1983.

Full details of the exceptions to the general rule described in the above paragraph will be available when the Finance Bill *is published. The intention is* that section 54 should continue to apply to assets held in settlements which fall within section 80, Finance Act 1981, and, broadly, *to assets held in settle*ments set up overseas by will or on an intestacy.

Non-resident settlements—definitions of "settlor" and "settlement":—

It is proposed, with effect from April 6 1983, to define the terms "settlor" and "settlement," in section 80 of the Finance Act 1981, by reference to the income tax definitions contained in section 454(3) of the Income and Corporation Taxes Act 1970. Section 80 will continue, however, to apply to non-resident settlements created by will or on an intestacy.

THE BUDGET: Details

Single person and married couples

COMPARISON WITH 1982-83 WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN 1982-83 AND 1983-84

Annual income in 1982/83 £	Charge for 1982-83: Income tax £	NIC† £	Percentage of total income taken in tax & NIC Per cent	Adjusted* income in 1982/83 £	Proposed charge for 1983-84: Income tax £	NIC† £	Percentage of total income taken in tax & NIC Per cent	Percentage change in income after tax & NIC Per cent
SINGLE PERSONS								
2,000	130	175	15.2	2,130	103	192	13.8	8.3
2,500	280	219	20.0	2,662	263	240	18.9	7.9
3,000	430	262	23.1	3,195	423	288	22.3	7.6
3,500	580	306	25.3	3,727	583	335	24.6	7.5
4,000	730	350	27.0	4,260	742	383	26.4	7.4
6,000	1,330	525	30.9	6,390	1,381	575	30.6	7.0
8,000	1,930	700	32.9	8,520	2,020	767	32.7	6.8
10,000	2,530	875	34.0	10,650	2,659	958	34.0	6.6
12,000	3,130	1,001	34.4	12,780	3,298	1,100	34.4	6.5
15,000	4,094	1,001	34.0	15,975	4,257	1,100	33.5	7.2
20,000	6,261	1,001	36.3	21,300	6,462	1,100	35.5	7.9
25,000	8,727	1,001	38.9	26,625	9,010	1,100	38.0	8.1
40,000	17,231	1,001	45.6	42,600	17,824	1,100	44.4	8.7
50,000	23,231	1,001	48.5	53,250	24,224	1,100	47.6	8.4
MARRIED COUPLES‡								
2,500	16	219	9.4	2,662	0	240	9.0	7.0
3,000	165	262	14.3	3,195	120	288	12.8	8.4
3,500	316	306	17.8	3,727	280	335	16.5	8.1
4,000	466	350	20.4	4,260	439	383	19.3	8.0
6,000	1,066	525	26.5	6,390	1,078	575	25.9	7.4
8,000	1,666	700	29.6	8,520	1,717	767	29.2	7.1
10,000	2,266	875	31.4	10,650	2,356	958	31.1	7.0
12,000	2,866	1,001	32.2	12,780	2,995	1,100	32.0	6.8
15,000	3,766	1,001	31.8	15,975	3,954	1,100	31.6	6.7
20,000	5,865	1,001	34.3	21,300	6,007	1,100	33.4	8.1
25,000	8,287	1,001	37.2	26,625	8,505	1,100	36.1	8.3
40,000	16,703	1,001	44.3	42,600	17,228	1,100	43.0	8.9
50,000	22,703	1,001	47.4	53,250	23,618	1,100	46.4	8.5

* The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.
† National Insurance Contributions are at the Class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.
‡ Assuming that only the husband has earned income.

Income £	Charge for 1982-83: Income tax £	Percentage of total income taken in tax per cent	Proposed charge for 1983-84: Income tax £	Percentage of total income per cent	Reduction in tax after proposed change: Income tax £	As percentage of total income per cent
SINGLE PERSONS						
35.00	1.47	4.2	0.20	0.6	1.27	3.6
40.00	2.97	7.4	1.70	4.2	1.27	3.2
50.00	5.97	11.9	4.70	9.4	1.27	2.5
60.00	8.97	14.9	7.70	12.8	1.27	2.1
80.00	14.97	18.7	13.70	17.1	1.27	1.6
100.00	20.97	21.0	19.70	19.7	1.27	1.3
120.00	26.97	22.5	25.70	21.4	1.27	1.1
140.00	32.97	23.6	31.70	22.6	1.27	0.9
160.00	38.97	24.4	37.70	23.6	1.27	0.8
180.00	44.97	25.0	43.70	24.3	1.27	0.7
200.00	50.97	25.5	49.70	24.8	1.27	0.6
220.00	56.97	25.9	55.70	25.3	1.27	0.6
240.00	62.97	26.2	61.70	25.7	1.27	0.5
300.00	83.34	27.8	79.70	26.6	3.64	1.2
350.00	104.82	29.9	98.19	28.1	6.63	1.9
MARRIED COUPLES*						
50.00	0.89	1.8	0.00	0.0	0.89	1.8
60.00	3.89	6.5	1.87	3.1	2.02	3.4
80.00	9.89	12.4	7.87	9.8	2.02	2.5
100.00	15.89	15.9	13.87	13.9	2.02	2.0
120.00	21.89	18.2	19.87	16.6	2.02	1.7
140.00	27.89	19.9	25.87	18.5	2.02	1.4
160.00	33.89	21.2	31.87	19.9	2.02	1.3
180.00	39.89	22.2	37.87	21.0	2.02	1.1
200.00	45.89	22.9	43.87	21.9	2.02	1.0
220.00	51.89	23.6	49.87	22.7	2.02	0.9
240.00	57.89	24.1	55.87	23.3	2.02	0.8
300.00	76.57	25.5	73.87	24.6	2.70	0.9
350.00	97.21	27.8	90.42	25.8	6.79	1.9

*Calculation assume that only the husband has earned income.

Elderly single and married couples

Income £	Charge for 1982-83: Income tax £	Percentage of total income taken in tax per cent	Proposed charge for 1983-84: Income tax £	Percentage of total income per cent	Reduction in tax after proposed change: Income tax £	As percentage of total income per cent
ELDERLY SINGLE PERSONS						
2,500	129	5.2	42	1.7	87	3.5
3,000	279	9.3	192	6.4	87	2.9
3,500	429	12.3	342	9.8	87	2.5
4,000	579	14.5	492	12.3	87	2.2
5,000	879	17.6	792	15.8	87	1.7
6,000	1,179	19.7	1,092	18.2	87	1.4
7,000	1,539	22.0	1,392	19.9	147	2.1
8,000	1,930	24.1	1,772	22.1	158	2.0
9,000	2,230	24.8	2,164	24.0	66	0.7
10,000	2,530	25.3	2,464	24.6	66	0.7
12,000	3,130	26.1	3,064	25.5	66	0.5
ELDERLY MARRIED COUPLES*						
3,500	61	1.8	0	0.0	61	1.8
4,000	211	5.3	73	1.8	138	3.4
5,000	511	10.2	373	7.5	138	2.8
6,000	811	13.5	673	11.2	138	2.3
7,000	1,171	16.7	973	13.9	198	2.8
8,000	1,666	20.8	1,353	16.9	313	3.9
9,000	1,966	21.9	1,853	20.6	113	1.3
10,000	2,266	22.7	2,161	21.6	105	1.0
12,000	2,866	23.9	2,761	23.0	105	0.9

* Calculations assume that only the husband has earned income.

Husband and wife working—income all earned

COMPARISON OF INCOME AFTER TAX AND NATIONAL INSURANCE CONTRIBUTIONS IN 1982-83 AND 1983-84, WHERE EARNINGS INCREASE BY 6.5 PER CENT

Weekly income in 1982-83: Husband	Wife	Joint	Charge in 1982-83: Income tax £	NIC £	Percentage of income taken in tax & NIC %	Adjusted weekly income in 1983-84: Husband	Wife	Joint	Proposed charge in 1983-84: Income tax £	NIC £	Percentage of income taken in tax & NIC %	Percentage change in income after tax & NIC %
120.00	40.00	160.00	24.87	14.00	24.3	127.80	42.60	170.40	24.70	15.34	23.5	7.6
	80.00	200.00	36.87	17.50	27.2		85.20	213.00	37.48	19.17	26.6	7.4
	100.00	220.00	42.87	19.25	28.2		106.50	234.30	43.87	21.09	27.7	7.3
	160.00	280.00	60.87	24.50	30.5		170.40	298.20	63.04	26.84	30.1	7.0
	200.00	320.00	72.87	28.00	31.5		213.00	340.80	75.82	30.67	31.2	6.9
160.00	40.00	200.00	36.87	17.50	27.2	170.40	42.60	213.00	37.48	19.17	26.6	7.4
	80.00	240.00	48.87	21.00	29.1		85.20	255.60	50.26	23.00	28.7	7.2
	100.00	260.00	54.87	22.75	29.9		106.50	276.90	56.65	24.92	29.5	7.1
	160.00	320.00	72.87	28.00	31.5		170.40	340.80	75.82	30.67	31.2	6.9
	200.00	360.00	88.54	31.50	33.3		213.00	383.40	90.05	34.51	32.5	7.9
200.00	40.00	240.00	48.87	21.00	29.1	213.00	42.60	255.60	50.26	23.00	28.7	7.2
	80.00	280.00	60.87	24.50	30.5		85.20	298.20	63.04	26.84	30.1	7.0
	100.00	300.00	66.87	26.25	31.0		106.50	319.50	69.43	28.75	30.7	7.0
	160.00	360.00	88.54	31.50	33.3		170.40	383.40	90.05	34.51	32.5	7.9
	200.00	400.00	101.94*	35.00	34.2		213.00	426.00	107.20*	38.34	34.2	6.6
250.00	40.00	290.00	63.87	22.75	29.9	266.25	42.60	308.85	64.23	24.98	29.5	7.0
	80.00	330.00	76.54	26.25	31.1		85.20	351.45	79.01	28.82	30.7	7.2
	100.00	350.00	84.54	28.00	32.2		106.50	372.75	85.79	30.74	31.3	7.9
	160.00	410.00	104.94*	33.25	33.7		170.40	436.65	110.40*	36.49	33.6	6.6
	200.00	450.00	116.94*	36.75	34.2		213.00	479.25	123.18*	40.32	34.1	6.6

Notes: The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.
National Insurance Contributions are at the Class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.
* Denotes wife's earnings election beneficial.

Basic income tax threshold up

THE FINANCIAL statement and Budget report, published yesterday, announced the following proposed tax changes.

Inland Revenue

It is proposed:—

To increase the single person's allowance and the wife's maximum earned income relief from £1,565 to £1,785, and the married allowance from £2,445 to £2,795.

To increase the additional personal allowance and widows' bereavement allowance from £880 to £1,010.

To increase the age allowance for the single person from £2,070 to £2,360, for the married from £3,295 to £3,755, and the age allowance income limit from £6,700 to £7,600.

To increase the basic rate limit to £14,600.

To increase the width of the 40 per cent band to £2,600, of the 45 per cent band to £4,600, and of the 50 per cent and 55 per cent bands to £7,100.

As a consequence of these changes, the structure of personal tax rates in operation in 1983-84 will be:—

BANDS OF TAXABLE INCOME £	%
0-14,600	30
14,601-17,200	40
17,201-21,800	45
21,801-28,900	50
28,901-36,000	55
over 36,000	60

It is also proposed:—

To raise the threshold for the investment income surcharge for 1983-84 from £6,250 to £7,100.

To extend the widows' bereavement allowance to cover the year after the husband's death.

To increase, *with effect from* 1984-85, the scales which determine the cash equivalents of car and car fuel benefits of directors and higher-paid employees.

To alter the law in relation to benefits in kind of directors and employees from scholarships, loans, PAYE tax payments, and, from 1984-85, provided accommodation.

To increase the limit on loans qualifying for mortgage interest relief, from £25,000 to £30,000.

To extend mortgage interest relief to interest paid on certain loans for the purchase of a house by a borrower who is under a contractual obligation to live in other accommodation.

To extend the Business Start-up Scheme to investment in a wider range of companies and to make other changes (Business Expansion Scheme).

To increase the maximum annual value for appropriations of shares to an employee, under an approved profit-sharing scheme, by adding to the present limit of £1,250 an alternative limit of 10 per cent of the employee's earnings, subject to a maximum of £5,000.

To raise, from £50 to £75, the upper limit on monthly contributions by an employee under an approved, savings-related, share option scheme.

To extend from three to five years the period over which the income tax payable on the exercise of a share option by a director or employee may be paid by instalments.

To extend relief for interest paid on money borrowed to buy shares in an employee-controlled company as part of an employee buy-out.

To increase the limit on tax relief allowed to individuals for covenants in favour of charities at the higher and additional rates.

To *make gains on certain* "second-hand bonds" liable to income tax.

To increase to £1,000 the limit for not assessing income tax on an individual, under the close companies' apportionment provisions.

Income tax and corporation tax:

It is proposed:

To extend, until March 31 1987, the 100 per cent first-year allowance for expenditure on British films.

To extend, for one year, the 100 per cent first-year allowance for expenditure on rented teletext sets.

To increase, from 10 per cent to 25 per cent, for the industrial buildings allowance, the permissible cost related to non-industrial purposes.

To allow expenditure on the conversion of existing premises to small industrial workshops, to qualify for the 100 per cent allowance, where the average size of all the converted units is within the prescribed limit.

To extend stock relief to houses taken in part-exchange by housebuilders in certain circumstances.

To allow payment of interest on Eurobonds in certain circumstances, without deduction of tax.

Income tax, corporation tax and capital gains tax:

It is proposed to provide new rules for the tax treatment of stock issued by companies at a discount.

Corporation tax:

It is proposed:

For the financial year 1982, to fix the "small companies" rate of corporation tax at 38 per cent (previously 40 per cent), to increase the limit for that rate from £90,000 to £100,000 and to increase the limit for marginal relief from £225,000 to £500,000.

To extend progressively from two to six years the period for which "surplus" advance corporation tax may be carried back and set against corporation tax.

To allow credit for foreign tax against corporation tax, before it is reduced by advance corporation tax.

To enable Trustee Savings Banks to be treated for tax purposes as bodies corporate.

To enable a charge to corporation tax to be imposed, with effect from April 6 1984, on UK resident companies which have an interest of 10 per cent or more in certain UK controlled companies resident in low-tax territories, the charge being proportionate to their interest.

To extend relief to companies for discount on bills of exchange accepted by banks carrying on business in the UK and for the incidental costs of raising such finance.

To extend the relief for the incidental costs of obtaining loan finance.

To allow relief for the costs of employees seconded to charities.

To make provision against the avoidance of tax through group and consortium relief.

To introduce, for certain securities, an alternative method to calculate the indexation allowance applied to capital gains.

Oil taxation:

It is proposed:

To reduce the rate of advance petroleum revenue tax from 20 per cent to 15 per cent, from July 1 1983; to 10 per cent from January 1 1985; to 5 per cent from January 1 1986; and to abolish it from January 1 1987.

To allow relief against petroleum revenue tax (PRT) on any field for expenditure, incurred after March 15 1983, in searching for oil and appraising discovered reserves anywhere in the UK, and on the UK continental shelf.

To increase the PRT oil allowance to 500,000 tonnes of oil per chargeable period, subject to a cumulative limit of 10m tonnes per field for off-shore fields outside the southern basin where development consent is given after April 1 1982. (In addition, the Energy Secretary proposes to abolish royalties for such fields.)

To revise the PRT rules for relief for expenditure on shared assets, and to charge related receipts.

To exclude from charge oil won, which the participator uses for production purposes in another field.

To correct certain technical defects in the PRT provisions.

Capital gains tax:

It is proposed:

To increase the annual exempt amount, in line with the increase in the retail prices index, so that, for 1983-84, an individual will be exempt on the first £5,300, and most trusts on the first £2,650, of capital gains.

To increase the limit on reliefs related to the transfer of a business on retirement.

To increase the limit on reliefs related to the letting of residential accommodation and small part-disposals of land.

To extend the private residence relief to gains arisen to a person required by the terms of his trade or profession to live in other accommodation.

To abolish the small-gifts exemption and the payment-by-instalment facilities.

To amend the rules related to the value at which assets are deemed to be acquired from certain non-resident trusts.

Development land tax:

It is proposed:

To defer the charge on a deemed disposal, which is started before April 1 1986 (instead of April 1 1984, as at present) and is for the owner's use, and to extinguish any deferred liability which has not become chargeable within 12 years of the start of development.

To improve the machinery for deducting tax from consideration, when there is a disposal by a non-resident.

To extend the period over which tax can be paid by instalments, from 8 to 10 years and remove the facility to pay by half-yearly instalments.

Capital transfer tax:

It is proposed to introduce new rate schedules for both death and life-time transfers, as follows:

Band of chargeable value £000	Rate on death per cent	Lifetime rate per cent
0-60	Nil	Nil
60-80	30	15
80-110	35	17½
110-140	40	20
140-175	45	22½
175-220	50	25
220-270	55	30
270-700	60	35
700-1,325	65	40
1,325-2,650	70	45
over 2,650	75	50

It is also proposed:

To increase the rate of relief, for transfers of minority holdings in unquoted companies, from 20 to 30 per cent.

To increase the *rate of relief* for transfers of tenanted agricultural land from 20 to 30 per cent.

To extend the period over which tax may be paid by instalments, from 8 to 10 years and remove the facility to pay by half-yearly instalments.

To remove the ceiling of £250,000 on the total value of transfers within one year of death to charities, which is exempt.

To remove the special rule under which persons becoming domiciled in the Channel Islands or the Isle of Man may be regarded as remaining domiciled in the UK for tax purposes.

To clarify the rules about the incidence of tax on death, when the will contains no directions.

To amend the provisions related to settled property.

Value-added tax:

It is proposed to increase the registration and deregistration limits by Order made under section 13 (3) of the Finance Act 1982. From March 16 1983, the registration limits will be £18,000 per annum and £6,000 per quarter. From June 1 1983, the deregistration limits will be £17,000 per annum, where estimated future turnover is concerned, and £18,000 per annum where past turnover is concerned.

Alcoholic drinks:

It is proposed, from midnight March 15-16 1983, to increase:

The rates of duty on spirits from £14.47 to £15.19 per litre of alcohol.

The rate of duty on beer from £20.40 to £21.60 per hectolitre, *and the charge for each additional degree of original gravity* above 1030° per hectolitre from £0.68 to £0.72.

The rates of duty on wine by the following amounts per hectolitre: wine of an alcoholic strength not exceeding 15 per cent, from £106.80 to £113.00; exceeding 15 per cent but not exceeding 18 per cent, from £137.90 to £145.80; exceeding 18 per cent but not exceeding 22 per cent, £162.30 to £171.70; exceeding 22 per cent, £171.70 plus £15.19 (instead of £14.47) for every 1 per cent, or part of 1 per cent, in excess of 22 per cent; surcharge on sparkling wines, from £23.45 to £24.80.

The rates of duty on made-wine by the following amounts per hectolitre:

made-wine of an alcoholic strength not exceeding 10 per cent, from £73.10 to £79.30; exceeding 10 per cent but not exceeding 15 per cent, from £103.80 to £109.80; exceeding 15 per cent but not exceeding 18 per cent, from £127.80 to £135.20; exceeding 18 per cent, £135.20 plus £15.19 (instead of £14.47) *for every 1 per cent, or* part of 1 per cent, in excess of 18 per cent; surcharge on sparkling made-wine, from £10.75 to £11.35;

the rate of duty on cider and perry from £8.16 to £9.69 per hectolitre.

APPROXIMATE DIRECT EFFECTS OF CHANGES IN DUTY RATES ON CERTAIN PRODUCT PRICES

(All except VED inclusive of 15 per cent VAT)

Spirits duty	25p on a bottle of spirits
Beer duty	1p on a pint of beer of average strength
Wine duty	5p on a bottle of table wine
Fortified wine duty	7p on a bottle of sherry
Petrol duty	4p on a gallon of petrol
Derv duty	3p on a gallon of derv
Tobacco duty	3p on a packet of 20 cigarettes
Vehicle excise duty	£5 on a car licence

Direct effects of changes in taxation

	Forecast for 1983-84 £m	a full year £m
INLAND REVENUE		
Income tax		
Increase in single allowance by £220 and married allowance by £350	−1,630†	−1,995†
Increase in additional personal allowance and widows' bereavement allowance by £130	− 10†	− 10†
Increase in age allowance by £290 (single) and by £460 (married) and in income limit by £900	−210†	−260†
Increase in basic rate limit by £1,800 to £14,600	− 90†	−140†
Increase in further higher rate thresholds	− 60†	−115†
Increase in investment income threshold	Negligible†	− 25†
Extension of widows' bereavement allowance	− 25	− 30
Fringe benefits—increase in car and car fuel scales for 1984-85	Nil	+ 35‡
Fringe benefits—changes in relation to scholarships, loans, PAYE tax payments and (from 1984-85) to provided accommodation	*Nil*	*+10*
Increase in mortgage interest relief limit	− 50	− 60
Extension of mortgage interest relief to certain borrowers	− 2	− 5
Extending the "Business Start-up Scheme"	− 25§	− 75§
Increases in employee shareholding reliefs	− 20	− 35§
Interest relief for borrowing to buy shares in employee-controlled companies	− 1	− 2
Change in relief on covenanted gifts to *charities*	*Negligible*	− 3
Secondhand bonds	Negligible	Negligible
Limit for assessments of apportioned income	Negligible	Negligible
Income tax and corporate tax		
Extension of capital allowances on British films	Nil	− 30¶
Extension of capital allowances on teletext sets	Nil	− 10‖
Industrial buildings allowance: increase in non-industrial space	Nil	− 25**
Conversions to small industrial worshops	Negligible	Negligible
Extension of stock relief for house builders	Negligible	− 5
Payment of Eurobond interest without deduction of tax	Negligible	− 2
Income tax, corporation tax and capital gains tax		
Provisions relating to stock issued at a discount	Negligible	− 15§††
Corporation tax		
Reduction in "small companies" rate and increase in limits	− 40	− 70
Extension of carry back period for advance corporation tax	Nil	‡‡
Change in arrangements for setting off advance-corporation tax and double taxation relief	Nil	§§
Treatment of TSBs as bodies corporate	− 3	− 10
Charge to tax in respect of controlled foreign companies	Nil	¶¶
Relief for discounts etc. on bills of *exchange*	*Negligible*	− 1
Incidental costs of obtaining loan finance		
Employees seconded to charities	Negligible	Negligible
Provision against avoidance through group etc relief	Negligible	Negligible
Alternative method for calculating indexation allowance applying to capital gains	Negligible	+ 10§§
Petroleum revenue tax		
Phasing out of advance petroleum revenue tax	− 50	‖‖
Appraisal and exploration relief	− 40	a
Increase in PRT oil allowance for future fields	Nil	b
PRT expenditure relief for shared assets and charge on related receipts	− 15	− 5
Minor PRT changes	− 10	− 5
Capital gains tax		
Indexation of annual exempt amount	Nil†	− 10†d
Increase in limit for retirement relief	Nil	− 4
Increase in other monetary limits	Nil	− 1
Other changes	Nil	Negligible
Development land tax		
Charge on a deemed disposal	Nil	− 4
Disposals by non-residents	+ 1	+ 2
Extension of instalment period	Negligible	Nil
Capital transfer tax		
Increase in thresholds and changes in bands	− 20†	− 50†e
Increase in rates of business and agricultural relief	Negligible	− 5
Extension of instalment period	− 2	Nilf
Removal of ceiling in charity exemption	Negligible	− 1
Other changes	− 1	− 2
TOTAL INLAND REVENUE	−2,303	−2,948g
CUSTOMS AND EXCISE		
Value added tax		
Increase in registration limits	− 5	− 5
Excise duties		
Increases in rates of duty on light oil, etc	+190	+190
Increase in rate of duty on heavy oil for use in road vehicles	+ 40	+ 40
Increases in rates of tobacco products duty	+ 95	+100
Increase in rate of spirits duty	+25	+ 25
Increases in rates of beer duty	+ 85	+ 90
Increases in rates of wine and made-wine duties	+ 25	+ 25
Increase in rate of duty on cider and perry	+ 5	+ 5
TOTAL CUSTOMS AND EXCISE	+460	+470
Vehicle excise duty		
Increase in rates of duty	+130	+130
National Insurance surcharge		
Reduction in surcharge	−215	−390h
Other		
Bus Fuel Grants	− 5	− 5i
TOTAL CHANGES IN TAXATION	−1,933	−2,743

Income tax

* Indirect effects are excluded. The expenditure tax figures do, however, *allow for the effects of relative price* changes on the composition of consumers' expenditure. This is explained in the note on page 5 of the Financial Statement and Budget Report 1981-82. A fuller description of the estimation of the direct effects of expenditure tax changes is provided in an article in Economic Trends, March 1980.

† Taxes subject to statutory indexation. The table below shows the direct revenue costs of indexing the income tax main *allowances and thresholds*, the capital gains tax exempt amount and the capital transfer tax threshold and bands by reference to the increase in the general index of retail prices between December 1981 and December 1982 (5.4 per cent), rounded in accordance with the statutory provisions, together with the costs of the *proposed changes on top of indexation*—
Investment income surcharge etc...

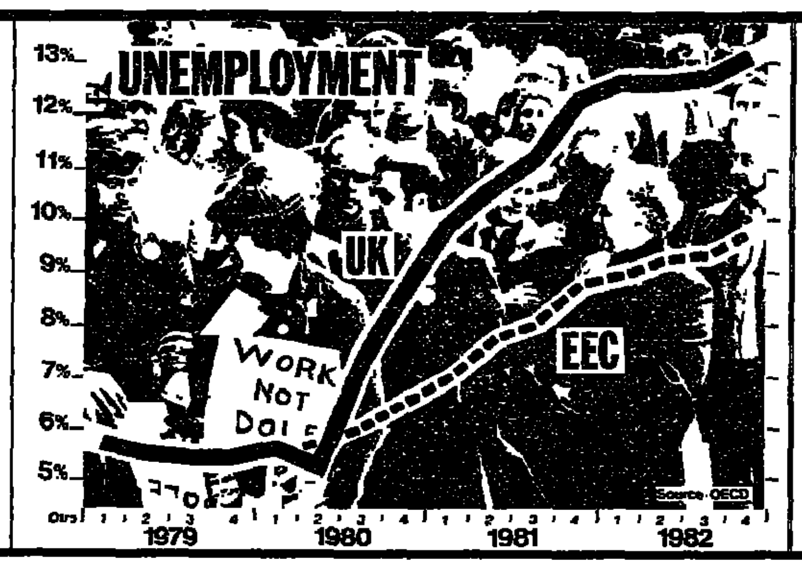
Direct Revenue Costs (£m)

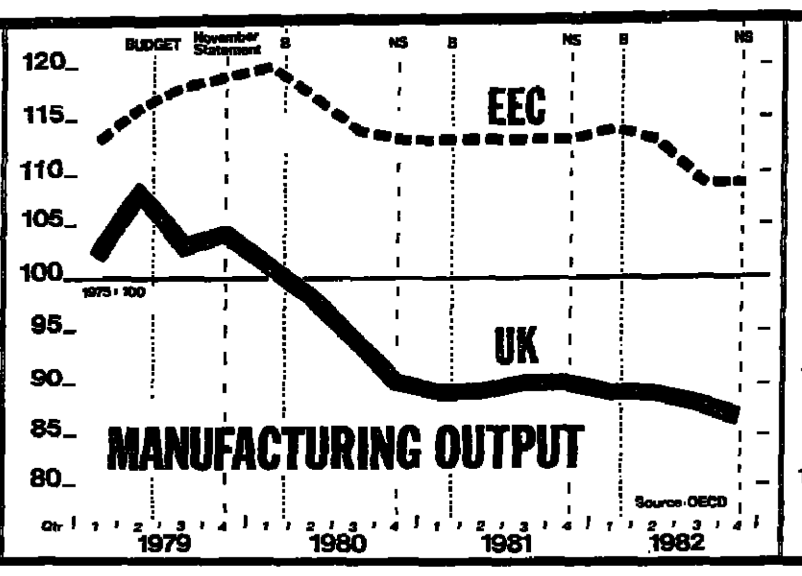
	Indexation 1983-84	Indexation Full year	Proposed changes on top of indexation 1983-84	Proposed changes on top of indexation Full year
Main allowances	−760	−930	−1,090	−1,335
Basic rate limit	− 40	− 60	− 50	− 80
Further higher rate thresholds	− 30	− 55	− 30	− 60
Investment income surcharge threshold	Negligible	− 10	Negligible	− 15
Total income tax	−830	−1,056	−1,170	−1,490
Capital gains tax: Exempt amount	Nil	− 10	Nil	Nil
Capital transfer tax: Threshold and bands	− 15	− 35	− 5	− 15

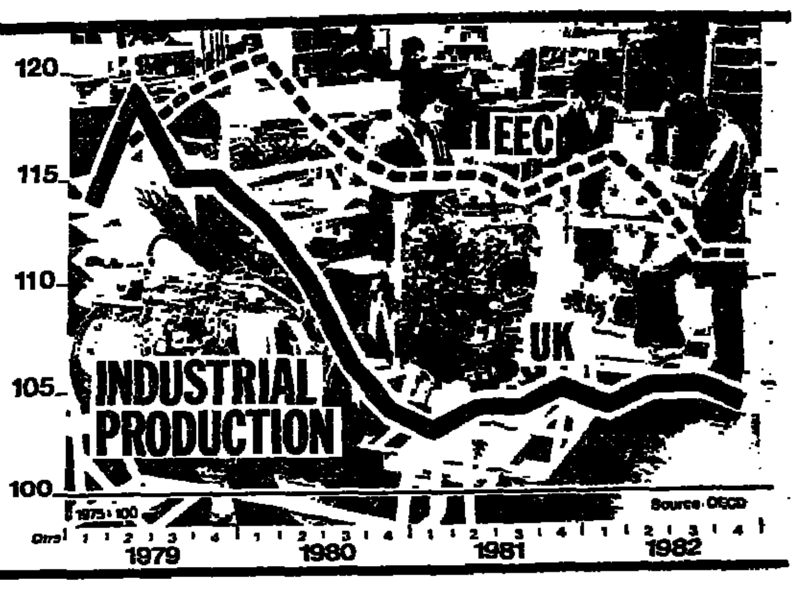
‡ Effective from 1984-85: the yield in 1984-85 will be £30 million.
§ These estimates are highly uncertain.
¶ The change takes effect from April 1 1984, but the effect on tax receipts in 1984-85 will be negligible.
‖ The cost in 1984-85 will be £8 million.
** *The cost in 1984-85 will be £10 million.*
†† Effect on tax liabilities for 1983-84; over a period of years there will be some deferment of tax liabilities.
‡‡ Tax liabilities for accounting periods ending in 1981-82 and later will be reduced. The costs in 1984-85 and 1985-86 are tentatively estimated at £1 million and £15 million respectively, and there will be some continuing cost thereafter.
§§ The cost will be negligible in 1984-85 and some £25 million in 1985-86: in the long term it could be up to £100 million.
¶¶ The yield will be negligible in 1984-85 and some £25 million in 1985-86, building up to £100 million.
‖‖ The main medium term effect of phasing out advance petroleum revenue tax is to defer payment of petroleum revenue tax: over the years the amount payable would be unchanged apart from a secondary effect on reliefs against petroleum revenue tax which may give some net yield in later years. In discounted terms the effect of this deferment is generally beneficial to the industry.
a *The immediate cost will be offset by reductions in reliefs in future years* but there will be a net benefit to the industry in discounted terms.
b The eventual cost depends on how many fields are developed in future; it could be a yield if additional fields are developed as a result of the proposal.
c The net cost in 1983-84 arises because the adjustments to be made in restrictions to relief already made, or due to be made, under existing law exceed the estimated yield from receipts. In subsequent years there is an estimated net yield (around £15 million a year on average for the years 1984-85 to 1986-87), but the industry will also be relieved from further substantial relief restrictions applicable under existing law. (These cannot be precisely quantified but the cost could run to some hundreds of million pounds over a period of years.)
d The effect on receipts in respect of tax liabilities for 1983-84; the effect on receipts in 1984-85 will be £3 million.
e The effect on receipts in respect of tax liabilities for 1983-84; the effect on receipts in 1984-85 will be £40 million.
f *The cost in 1984-85 will be £5 million.*
g No figures are included for the changes covered by footnotes ‡‡ and ‖‖ to c above; and any figures covered by footnotes §§ and ¶¶ are broadly offsetting.
h Figures exclude public sector payments of £80 million in 1983-84 and £215 million in a full year. Public expenditure will be reduced accordingly. See Part 5, Table 5.6.
i This is consequential on the increase in road fuel duties.

THE BUDGET: Details

FACTORS BEHIND THE BUDGET







Short-term prospects improve with increase in world activity

THE FINANCIAL statement outlined short-term economic prospects for the period to mid-1984.

By the end of 1982 lower interest rates and lower inflation, particularly in the United States, were pointing towards some increase in world activity in 1983. The fall in oil prices in recent weeks improves the prospects for both recovery and low inflation.

In the United Kingdom, the effects of lower world activity in 1982 were to a considerable extent offset by a good performance by exporters in world markets and by a rise in final domestic demand, led by consumer spending. But with some further fall in stocks, the growth in total output was probably not much more than ½ per cent, most of which was accounted for by higher oil production, and there were further rises in unemployment.

The forecasts for 1983 and the first half of 1984 are based on the fiscal and monetary policies set out in the Budget speech and in the Medium Term Financial Strategy. Recent developments and future prospects for monetary growth are described elsewhere in this report.

The recovery in world trade should lead to a renewed rise in exports, helped by better cost competitiveness, from the first half of this year. With imports likely to increase rather faster as domestic demand continues to rise and as the rundown in stocks comes to an end, the surplus on the current account of the balance of payments is forecast to be sizeable, but smaller than in 1982.

After the major reduction in inflation over the past year, there is likely to be a pause in 1983 as the effects of the recent fall in the exchange rate are absorbed. With increases in costs likely to continue below the rate of increase in prices, the gradual recovery in profits should continue.

Growth in overseas markets, further increases in domestic demand as the effects of lower inflation and lower interest rates work through, together with gradually improving profitability, should lead to total output rising, by perhaps 2½ per cent between the first half of 1983 and the first half of 1984.

The world economy

Two years of slow growth in 1980 and 1981 reflected the 1979-80 oil price rise ... against the background of policies designed to contain the impact on inflation. By early 1982 there was a widespread expectation that a lower rate of inflation ... already falling significantly and expected to contribute to lower interest rates ... would lead to a recovery in demand and output in the industrialised world. Instead there were declines in industrial demand and activity, partly reflecting the continuing effects of high real interest rates, particularly in the U.S.; while lower export earnings (as commodity prices fell), high interest rates and a strong dollar combined to raise doubts about credit-worthiness of heavily indebted countries.

In the course of 1982 inflation fell further, helped by continuing weakness in commodity prices (except oil). The reduction in inflation and the delay in economic recovery, combined with easier monetary policy in the United States, led to substantially lower interest rates (at least in nominal terms). In the Western economies stocks were run down further until by the end of the year the level of stocks was if anything below normal. The developing countries were reducing their imports, while their overall debt position was benefiting from lower interest rates.

At the beginning of 1983, there is again a widespread expectation of a moderate recovery in activity, some evidence for which is provided by increases in industrial production and housing starts (in the U.S.) and domestic industrial orders (in Germany). Both interest rates and inflation rates have come down sharply since early 1982 (Eurodollar rates for example fell from 15 per cent to under 9½ per cent), with fiscal and monetary conditions becoming less tight. Partly as a result the stock rundown may now be largely over and final demand should rise further. There is also some prospect of an end to the decline in imports into developing countries although further reductions can be expected for oil producers.

In most of the economic cycles in the post-war years, the recovery of output has been followed by a rise in commodity prices. In the case of oil, prices are expected to be lower in 1983 not only because of the recession but also because of the lagged effects of earlier price rises. But other commodity prices are already at a low level in relation to world prices generally and rising demand from the industrialised countries will probably induce some increases by the first half of next year, allowing some raecovery in the export earnings of developing countries. Indeed some commodities, particularly non-ferrous metals, may see a recovery in prices this year: there have already been scattered indications of this.

The forecast points to a rise in activity from the first half of 1983: this can be expected to result in only a small increase in output between the average levels of 1982 and 1983, but a rather faster rate of growth by the first half of 1984. UK export markets should share in the recovery, though the fall in oil revenues will reduce the OPEC market in which the UK has a well above average share. The forecast is summarised in the table below:

Exchange rate, trade, relative prices and costs

The value of sterling, measured against a basket of other currencies, fell more than 10 per cent in late 1982 and early 1983, after a period of little change lasting over a year. The exchange rate will continue to be determined by market forces; for the purposes of this forecast, it is assumed that the effective exchange rate will remain around the level in February 1983. The prospect for inflation, which takes account of this assumption about the exchange rate, suggests that from now on there will be no substantial difference between inflation rates in the UK and in the average of our major competitors. On this basis the level of cost competitiveness in the UK over the forecast period should be appreciably better than in 1980, 1981 or 1982.

The effect of the recent change in the value of sterling on price competitiveness is not yet clear. The fall in sterling in 1981, from the exceptional level at the beginning of that year, was reflected in a substantial improvement in relative export prices, as exporters took most of the benefits on prices rather than on profit margins; but in a rather small improvement in import price competitiveness as importers cut their margins to a greater extent than usual. By the end of 1982, profit margins on goods supplied to the UK seemed, on average, to be little higher than elsewhere and hence the scope for further reductions in importers' margins may be more limited than in 1981. With low inflation in most other industrialised countries, a fall in oil prices and at least for a time no major recovery in other commodity prices, import prices (as measured by the average value index for total goods) by the second half of 1983 may be under 10 per cent higher than a year earlier.

In manufacturing, the UK has lost share by volume in most years, but value shares have been roughly constant in recent years.

In 1982, when world trade in manufactures is estimated to have fallen over 3 per cent, there was a small rise in manufactured exports. This represented a significantly better performance than the substantial loss of share between 1977 and 1981. In the domestic market, there has been a fall in the share of domestic producers except at times of heavy destocking in late 1980, early 1981, and the second half of 1982.

For the first half of 1983 most of the short-term indicators, including engineering orders and the replies to the CBI's questions on orders, as well as the January trade figures suggest that the level of exports may well be little changed from the second half of 1982. As world recovery gets under way, and as the gains in cost competitiveness begin to be felt, then export growth should pick up, as the improvements in export optimism in the CBI survey also suggest. By the first half of 1984 exports of goods and services could be 5 per cent higher than a year earlier in volume terms.

The volume of imports levelled off in the course of 1982, despite the rise in final domestic demand, particularly personal consumption. This suggests that the latest figures confirm a stock rundown in the second half of 1982. As that comes to an end an increase in imports can be expected.

The current account of the balance of payments was again in large surplus in 1982, of about £4 billion. The high surplus in the second half of the year was partly a result of an exceptionally large surplus on oil.

With growth of demand in the UK forecast to be a little more than in other countries, and the terms of trade, there seems likely to be a further increase in the deficit on non-oil trade. But this may be partly offset but a growing surplus in invisibles—reflecting rising world activity and profitability, as well as the rising stock of overseas assets. The recent depreciation of sterling may not have much net impact on the current account in 1983 but should make for a higher surplus by 1984. In total, the current account is forecast to be in surplus of some £1½ billion in 1983.

Inflation

The reduction in inflation in the UK over the past year has been greater than in most other industrialised economies so that by early 1983 the UK inflation rate was well below the European average, though still rather above that of the United States, Germany and Japan.

In January 1983 the Retail Prices Index in the UK was only 5 per cent higher than a year earlier. The corresponding figure for January 1982 was 12 per cent. The 1 per cent fall in the housing component of the index since January 1982 resulted from the 5 point cut in mortgage rates; and there were falls in the prices of fresh vegetables and other seasonal items. Other indices, for example, wholesale prices and the GDP deflator (a price index for the output of the domestic economy), also indicate a substantial fall in inflation though less marked. This is partly because of the greater weight in the RPI of housing costs and of seasonal foods. The index of wholesale output prices, on a definition excluding food, drink, tobacco and oil products (the latter omitted because extensive discounting has been causing bias in the list prices quoted in the index), was 7½ per cent higher than a year earlier in January 1982; by January 1983 the index was no more than 5½ per cent up on a year earlier.

1982 was a year in which inflation fell sharply but not at the expense of profit margins where in the non-oil sector there was some recovery from the low point in the second half of 1981. Figures for 1982 are not yet complete, but whole economy costs changed as follows:

The table shows that the rise in labour costs slowed down considerably in 1982, helped by the slower rate of earnings growth and the cut in the National Insurance Surcharge. Costs rose less than prices.

Settlements in the current pay round (since last autumn) have been running 1-2 per cent lower than in the previous round. The falling trend in wage settlements is reflected, with a lag, in the average earnings index: in December 1982, its year on year change was down to 8 per cent, from 11 per cent in the fourth quarter of 1981.

In 1982 the rate of price inflation came down faster than the growth of earnings. In consequence real after-tax take-home pay, as it affected the average employee, began to rise from about the middle of 1982. But employers take account in addition of the selling prices of their goods and services, of productivity gains, and of taxes on employment. Continuing productivity gains in 1982, together with reductions in the National Insurance Surcharge, contributed to a fall in the average real wage, per unit of output, paid by employers.

Thus by the end of 1982, the real wage received by employees was rising; the real wage paid by employers was edging down and was near the 1979 level. But over the period 1979-82, taken as a whole, both wages and prices rose faster in the UK than in other countries, on average, and this is reflected in measures of price and cost competitiveness.

The fall in the exchange rate since October 1982 is already making for higher import prices. While the extent to which this will affect other prices and costs is very uncertain, it is likely that on average import prices will rise somewhat faster than domestic costs or prices.

Profit margins in the UK have begun to recover, from a low level, but moderate wage settlements and the limited extent of recovery forecast for the world economy will continue to restrain prices. The general rate of inflation, as measured by the rise in the GDP deflator, is forecast to be about 5½ per cent in 1983, rather below the rate last summer. Price indices which include a substantial direct import component are liable to show a slightly bigger increase for a time. The prices charged by the nationalised industries are expected to rise, in aggregate, somewhat more slowly than the average of other prices, following a period of above average increases.

By the fourth quarter of 1983 the inflation rate as measured by the RPI may be about 6 per cent, much the same as in the fourth quarter of 1982. Noticeably lower figures will continue to be experienced for much of this year because of the factors referred to in an earlier paragraph. By mid-1984 the world and UK recoveries should be well under way, with perhaps more pressure on commodity prices and firms better placed to improve profit margins; but on the other hand there should be benefits from a greater stability of the exchange rate. The RPI by mid-1984 could be rising at an annual rate of 6 per cent—close to the assumed rise in the GDP deflator of 5½ per cent in financial year 1984-85. Although a wide margin of error surrounds these forecasts, the rate of inflation over the forecast period should be below the rates seen at any time since the early 1970s. This change reflects in large part the influence of the monetary and fiscal policies pursued in recent years.

Demand and activity

After little change for about three years, personal spending rose sharply in the second half of 1982. Expenditure on durables in particular rose rapidly, reflecting mainly the beginning of an upturn in real take-home pay, lower interest rates, the abolition of HP controls in July and continued easy availability of bank credit. In addition, low purchases of durables during the previous two years had left stocks of durables held by consumers rather depleted.

The fall in real personal disposable income—estimated at about 4 per cent between 1980 and 1982—was more than offset by a fall in the saving ratio. This went beyond the usual tendency for savings to act as a cushion for fluctuations in incomes and helps to confirm that the need for saving was becoming less as the rate of inflation and interest rates moved down substantially. The chart also shows how the personal sector has been able to begin to rebuild its financial asset holdings: the ratio of gross financial wealth to income has risen since 1980, with capital gains, reflecting lower nominal interest rates, and high borrowing more than offsetting the fall in the flow of saving.

By the end of 1982, the real earnings of those in work were rising again; and in 1983 the real value of personal disposable income, taking account of the tax changes proposed in the budget, is forecast to rise about 2 per cent. The saving ratio having already fallen sharply in the course of 1982 may remain a little below the 1982 average and consumer spending could rise 2½ per cent in 1983.

With the rise in consumer spending in the second half of 1982 manufacturers and distributors ran down their stocks, and by the end of 1982 the ratio of stocks to sales had fallen by comparison with a year earlier. Over the forecast period, it seems likely that distributors will want to rebuild their stocks of consumer goods. Manufacturers' stocks, however, could still be above desired levels, judging by the results of the recent CBI surveys; and with only moderate prospects of recovery in their output, the level of stocks in this sector may not change much. In aggregate, the destocking in 1982, now put at about £¾bn at 1975 prices, could be followed by a small rise in stock levels in 1983.

Fixed investment in total in 1982 is estimated to have been 3½ per cent higher by volume than the previous year. In the private sector investment in new dwellings rose about 8 per cent, in response to the readily available supply of mortgage finance and successive reductions in interest rates. In the distributive and service sectors of the economy investment (excluding leased assets) rose 7 per cent. Prospects for demand and profitability have been stronger here than in the manufacturing sector, where investment (including leased assets) fell a further 8 per cent. In the public sector, there were increases in the volume of fixed investment by central government and the nationalised industries. Investment by local authorities, excluding council house sales (which count as negative investment) was little changed.

The surveys carried out by the Department of Industry and by the CBI are consistent with a further rise in industrial investment in total in 1983; within the total the fall in manufacturing investment may come to an end in the course of the year. Taking investment and consumption together, the volume of expenditure by the public sector on goods and services is forecast to rise slowly, consistently with the proportion of total public expenditure in the economy falling slowly.

In total, domestic demand is expected to rise further in 1983 and the first half of 1984. The prospect of world recovery and the effects of recent gains in competitiveness point to a strong rise in UK exports by the first half of 1984.

The share of manufacturing industry in total output has been falling since the early 1970s, and particularly strongly since 1979. Treasury forecasts of manufacturing output have generally proved over-optimistic, to a considerable extent because the demand for manufactures in total was overstated. The forecast of manufacturing output in 1983 takes account of recent survey information. Over the forecast period, output in the manufacturing sector could be rising at much the same rate as in the rest of the economy.

Employment, productivity and profitability

Total employment fell by some 1¾m between 1979 and 1982, with a fall of nearly 1¼m in manufacturing, where the problems of profitability and competitiveness have been greatest. The further fall of employment in 1982 was accompanied by a rise in unemployment from 10.7 per cent in 1981 to 12.5 per cent in 1982, a slower rise than in the previous year. In manufacturing, there is convincing evidence of an above average gain in productivity since 1980, though the extent of the fall in output makes the precise size of this gain difficult to assess. Outside manufacturing, the revised employment data up to mid 1981, and the less reliable indications available for 1982, do not suggest any marked improvement in productivity growth since 1979.

In 1982 there was evidence that the period of exceptionally rapid productivity gains in manufacturing was giving way, as had been expected, to more moderate gains. Growth of total output in the range 2-2½ per cent, if sustained for a period and accompanied by no major shifts in financial pressures on employers, is probably consistent with no great change in unemployment.

Company profitability reach a low point in 1981: DOI estimates, based on necessarily very uncertain assumptions about obsolescence of capital and about tax, suggest that for industrial and commercial companies outside the North Sea the average real rate of return was about 3 per cent, compared to about 10 per cent a decade ago. Preliminary estimates for 1982 point to some recovery; and the forecast for inflation is consistent with some further increase in profitability in 1983. This, in turn, should help to ensure that a good part of the rise in demand is met from domestic supply.

Forecast and out-turn

The table below compares the main elements of the forecast published in the 1982 FSBR with out-turns or latest estimates.

GDP increased rather less than forecast in 1982. World demand and trade were substantially less than forecast, accounting for more than all the difference of 3 per cent on exports of goods and services: consumer demand (helped by lower prices) was a little higher than expected. But much of this was met out of stocks and with manufacturers keen to get stock levels down further there was another substantial fall in stocks in 1982.

Forecasts of expenditure, imports and Gross Domestic Product *

£m at 1975 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1975=100
1980	71,550	24,300	20,450	33,050	−1,550	147,800	34,100	12,200	200	101,700	108.0
1981	71,850	24,300	18,600	32,300	−1,850	145,200	33,900	12,100	0	99,200	105.4
1982	72,750	24,550	19,250	32,500	−700	148,350	35,550	12,350	−550	99,900	106.1
1983	74,650	24,700	19,950	32,800	300	152,400	37,400	12,650	−500	101,850	108.2
1981 First half	35,950	12,100	9,300	15,900	−1,400	71,850	15,950	6,100	−200	49,600	105.3
Second half	35,900	12,200	9,300	16,400	−450	73,350	17,950	6,000	200	49,600	105.4
1982 First half	35,950	12,250	9,500	16,400	−50	74,050	18,050	6,050	−150	49,800	105.8
Second half	36,800	12,300	9,750	16,100	−650	74,300	17,500	6,300	−400	50,100	106.4
1983 First half	37,100	12,300	9,900	16,200	0	75,500	18,450	6,300	−250	50,500	107.3
Second half	37,550	12,400	10,050	16,600	300	76,900	18,950	6,350	−250	51,350	109.1
1984 First half	38,000	12,450	10,250	17,000	250	77,950	19,400	6,450	−250	51,850	110.2
% changes:											
1981 to 1982	1	1	3½	0½		2	5	2		0½	
1982 to 1983	2½	0½	3½	1		2½	5	2½		2	
1983 first half to 1984 first half	2½	1	3½	5		3	5	2		2½	

* GDP figures in the table are based on "compromise" estimates of gross domestic product. Figures in £m are rounded to £50m. Percentage changes are calculated from unrounded levels and then rounded to half per cent. The GDP index in the final column is calculated from unrounded numbers.

World Economic Prospects

Per cent changes on a year earlier

	1975-80	1980	1981	1982	1983	1984 1st half
GDP*	3½	1	1½	−½	1½	3½
Consumer prices*	8½	12	10	7	5	5½
Trade in manufactures (UK) weighted	6	4½	3	−3½	1	6

* Major 6: U.S., Germany, Japan, France, Italy, Canada.

	Per cent changes on a year earlier 1981 Q3	1982 Q3
Labour costs per unit of output	8	3½
of which earnings	10½	8½
less productivity growth	−4	−4
plus other labour costs including NIS	1	−1
Import prices (goods and services)	9	3½
Expenditure prices (the deflator for total final expenditure)	10½	6
GDP deflator	11½	6½

TABLE 2.3
Domestic Demand and Exports

	Per cent changes on a year earlier 1982	1983	1984 First half
Domestic demand	2½	3½	3
Exports of goods and services	½	1	5
Supply			
Imports of goods and services	5	5	5
Domestic production: total GDP	½	2	2½

The absence of any further rundown in stocks and the faster growth of total demand points to further rises in imports, together with a growth of domestic ouput:

Output 1975=100	1982 I	1982 II	1983 I	1983 II	1984 I
Gross domestic product	106	106½	107½	109	110
Manufacturing output	89½	87½	89½	90½	91½

Table 5
Forecast and Outturn

	Forecast	Outturn/Estimate
Total output, per cent change between 1981 and 1982	1½	0½
Retail Prices Index: per cent increase between the fourth quarters of 1981 and 1982	9	6
Current account of the balance of payments in 1982, £ billion	4	4
PSBR, 1982-83, £ billion	9½	7½

Short-term economic prospects

	Forecasts	Average errors from past forecasts*
Output and expenditure at constant 1975 prices		
Per cent changes between 1982 and 1983:		
Gross domestic product (at factor cost)	2	1
Consumers' expenditure	2½	1
General Government consumption	½	1½
Fixed investment	3½	2½
Exports of goods and services	1	2½
Imports of goods and services	5	2½
Change in stockbuilding (as per cent of level of GDP)	1	1
Balance of Payments on current account		
£ billion:		
1982	4	—
1983	1½	2
1984 First half (at an annual rate)	2	3½
Public Sector Borrowing Requirement		
£ billion; in brackets per cent of GDP at market prices:		
Financial year 1982-83	7½ (2½)	—
Financial year 1983-84	8 (2½)	4 (1½)
Retail Prices Index		
Per cent change:		
Fourth quarter 1982 to fourth quarter 1983	6	2
Second quarter 1983 to second quarter 1984	6	4

*The errors relate to the average differences (on either side of the central figure) between forecasts and outturn. The method of calculating these errors has been explained in earlier publications on government forecasts (see Economic Progress Report June 1981). The calculations for the constant price variables are derived from internal forecasts made during the period June 1965 to October 1980. For the current balance and the retail prices index, forecasts made between June 1970 and October 1980 are used. For the PSBR, Budget forecasts since 1967 are used. The errors are after adjustment for the effects of major changes in fiscal policy where excluded from the forecasts.

Changes in tax codes

THE INLAND REVENUE issued the following statement the Chancellor sat down. In concerning increases in personal allowances and changes in the bands of taxable income to which the rates of tax apply.

Tax offices will be sending to employers instructions to increase codes ending in L, H, P and V by the appropriate amounts. These increased codes will generally take effect on the first pay day after May 10. A revised coding notice is not issued to the taxpayer when a code is increased automatically by the employer in this way.

New tax tables for the calculation of tax deductions will be issued covering the changes in the bands of income to which the rates of tax apply. These will be supplied to employers for use after May 10.

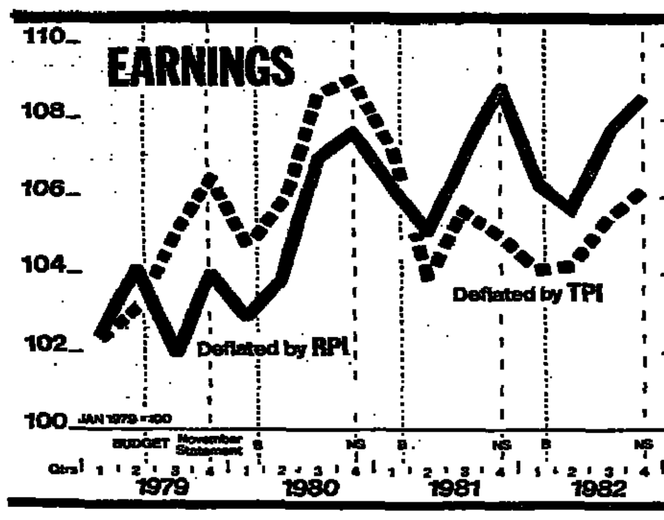
Increase in age allowance

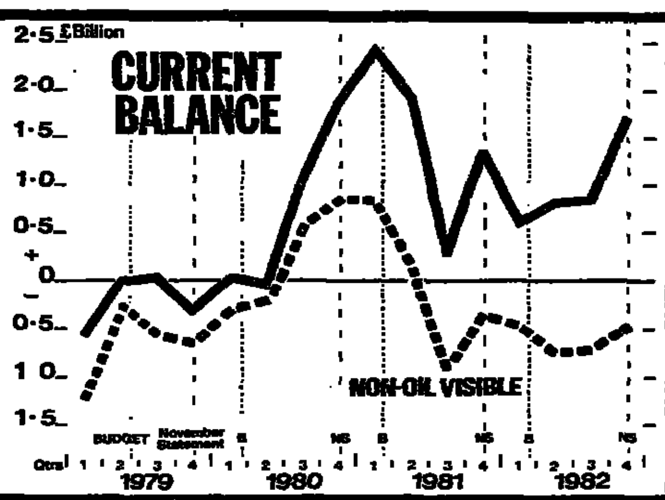
Where a taxpayer otherwise meets the conditions for age allowance but has a total income somewhat exceeding a specified amount, the age allowance is reduced on this account. It is proposed to raise the income limit to £7,600. As part of the review tax offices will be amending codes which at present include a reduced amount of age allowance, to take account of the increase in the income limit. Where a taxpayer's income is such that no age allowance was given for 1982-83 but age allowance is now due, the tax office will revise the code as necessary in the course of examining the 1983-84 tax return. Any taxpayer who is not getting age allowance at present and who expects to be entitled to age allowance following the proposed icrease in the income limit, but who has not been asked to complete a 1983-84 tax return, should write to his or her tax office giving details of income and date of birth.

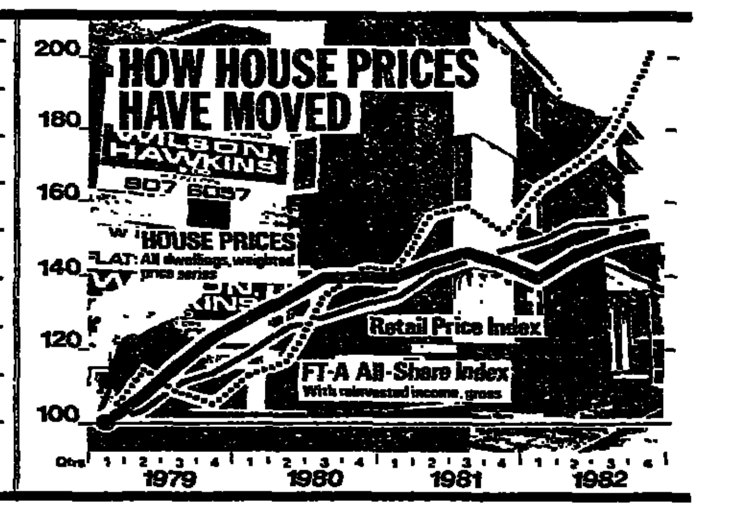
Coding changes

Some people have special PAYE codes, beginning with F or ending in T, and some have codes which call for special consideration as a result of the Budget proposals. These codes will be reviewed individually by the tax office. Where a change is due the tax office will revise the code and send notifications of the new coding to both the employer and the employee. These revised codes will generally take effect on the first pay day after May 10 and will include pensioners with prefix "F" codes and codes for employees liable to tax at a higher rate whose wives are working.

THE BUDGET: Details







Medium-term objective is to continue reducing inflation

THE FINANCIAL statement published yesterday announced the continuation of the medium-term financial strategy. It said:

Government policies have helped to bring about a rate of inflation that is already well into single figures. The objective over the medium term is to continue reducing inflation, and to secure a lasting improvement in the performance of the UK economy, so providing the foundations for sustainable growth in output and employment. Firm financial policies are an essential means to this end. The medium-term financial strategy sets out the framework within which policy is operated.

The financial framework

Control of the money supply is a central part of this strategy. In judging the rate of monetary growth needed to reduce inflation, the Government will continue to take account of structural influences on the different monetary aggregates, as well as the behaviour of other financial indicators. Fiscal policy is designed to be consistent with this monetary framework and with the overall objective of reducing inflation. Over a period of years, a reduction in public sector borrowing, as a proportion of GDP, has a key part to play in securing a fall in interest rates, in both real and nominal terms.

The extent of the recovery in real activity over the next few years depends critically on bringing down cost increases, in all sectors of the economy. Lower domestic costs will enable British industry to compete more effectively, at home and abroad, without adding to inflationary pressures. Despite recent gains, UK productivity is still low in comparison with other major industrial countries. The long-term health of the economy depends on further efforts to close this gap. Moderation in pay will help to ensure that improved efficiency is reflected in higher output and employment.

The Government will continue to pursue policies to strengthen the supply performance of the economy, by providing greater incentives for work and enterprise, and by improving the working of markets. A low rate of inflation will provide the right macro-economic environment in which these policies can succeed.

Recent financial conditions

Monetary conditions have developed broadly as intended over the past year; in the year to February, the growth of the key monetary aggregates was within the target range of 8-12 per cent. Combined with the rapid fall in inflation, this contributed to a significant fall in interest rates. By mid-November, short term rates had come down to 9 per cent but, as the exchange rate weakened, market rates, and with them base rates, rose to around 11 per cent. This compares with a peak of 16 per cent in November 1981.

£M3 grew by 10 per cent over the first 12 months of the target period. During the spring and early summer the rate of growth was close to the bottom of the range. There was some rise in the late summer and autumn, but since then growth has again slowed down. PSL2 grew by less than £M3—9 per cent in the year to February. The growth of bank lending followed much the same profile as that of £M3. This in-year variation was attributable largely to borrowing by companies, borrowing by persons remaining high throughout the year.

M1 grew more slowly than £M3 over the period 1980-81. Last year, as expected, the growth of M1 rose—to 11 per cent *over the 12 months to February*. Narrower measures of money continued to grow comparatively slowly. The monetary base grew by only 3¼ per cent, despite lower interest rates, possibly reflecting a faster decline in the importance of notes and coin relative to other means of payment. Transactions balances, as measured by M2, grew by 6½ per cent, though lack of past data still makes this series difficult to interpret.

Other financial indicators pointed to moderately restrictive monetary conditions. As in other industrial countries real short term interest rates remained high. For most of the year the exchange rate was strong. The fall after October seems to have owed much to external factors, such as concern about oil prices and sharp movements in other currencies and, possibly, to political uncertainties. Against this background, the recent growth in real money balances, on most measures of money, largely reflects the fall in inflation and points to a recovery in real activity. For a given growth in the nominal money supply, higher real money balances are one route through which lower inflation can help to raise the level of activity.

Monetary policy

In recent years the economic significance of the wider aggregates has been affected by changes in saving behaviour and by structural changes to the financial system, associated in part with the ending of direct controls. Inflation has fallen fast despite the overrun in previous years' monetary targets. These developments led to last year's decision to raise the monetary ranges. Monetary growth within the new target range set for 1982-83 has been consistent with maintaining a reasonably restrictive stance.

As announced in the Budget Speech, the target range for 1983-84 is to be set at the 7-11 per cent indicated in last year's Financial Statement. As usual, this range applies to the annual rate over the 14 months beginning in February 1983. A sustained reduction in monetary growth over a period of years will be needed to keep inflation on a downward trend. Illustrative ranges for the next few years are shown in table 2.2. Precise targets for 1984-85 and 1985-86 will be decided nearer the time.

Sustained progress on both inflation and interest rates requires continued fiscal restraint. During the 1950's and 1960's the PSBR averaged about 2¾ per cent of GDP.

There was a strong rise in this ratio during the first half of the 1970s, peaking in 1975-76, when the PSBR reached nearly 10 per cent of GDP. High fiscal deficits over this period were associated with high inflation and interest rates.

The path shown in table 2.2 applies to both narrow and broad measures of money: M1 and £M3 (and PSL2). However, as noted in last year's FSBR, the combination of lower interest rates and lower inflation may lead to a period of more rapid growth in M1 than in broader measures of money. As explained in last year's Financial Statement, the interpretation of monetary conditions will continue to take account of all the available evidence, including the exchange rate, structural changes in financial markets, saving behaviour, and the level and structure of interest rates. Policy decisions will be aimed at maintaining monetary conditions that will keep inflation on a downward trend. The ranges shown in Table 2.2 have once again been constructed on the assumption that there is no major change in the exchange rate from year to year.

Fiscal policy

The latest estimate for 1982-1983 is £7½bn equivalent to about 2¾ per cent of GDP. This is some £1½bn lower than the Autumn Statement forecast, and about £2bn lower than expected at the time of the 1982 Budget, though still some way above the 2¾ per cent of GDP envisaged for the year now ending in the 1980 FSBR. Identifiable factors contributing to the lower outturn this year include unexpectedly high receipts from North Sea oil taxes, reflecting a higher sterling oil price, and underspending in some areas of public expenditure, notably local authority capital.

The PSBR for 1983-84 is forecast to be £8bn, equivalent to about 2¾ per cent of GDP, as suggested a year ago and in the Autumn Statement. The fiscal projections summarised in table 2.5 show a further reduction in the PSBR as a proportion of GDP, to around 2½ per cent in 1984-85, and 2 per cent in 1985-86. This part should leave room within the monetary guidelines for a fall in interest rates over the next few years. The figures for 1984-85 and 1985-86 are illustrative. Decisions about the appropriate size of the PSBR in any particular year will be taken nearer the time.

The fiscal projections in tables 2.3-2.5 are based on the public expenditure plans shown in the Public Expenditure White Paper (Cmnd 8789), updated where necessary to take account of Budget changes and estimating changes. Further details for 1982-83 and 1983-84 are given in Part 5. Real output is assumed to grow by 2½ per cent a year on average over the three years. The general rate of inflation, as measured by the GDP deflator, was 7 per cent in 1982-83. It is forecast to fall to 5½ per cent in 1983-84. (The forecasts for the GDP deflator and the more widely known Retail Prices Index are discussed later. There are many reasons why the two indices may move differently over relatively short periods of time including, for example, the differing impact of changes in mortgage interest rates, seasonal food prices, oil prices and import costs.) In the later years, the GDP deflator is assumed to rise by 5½ per cent in 1984-85, and by 5 per cent in 1985-86. These assumptions imply an average growth in money GDP of about 8 per cent over the period as a whole.

Table 2.3 shows the relationship between the planning total for public expenditure shown in Cmnd 8789 and general government expenditure in national account terms (the definition of public expenditure lying behind the general government borrowing requirement).

The growth of Government revenues in cash terms over the medium term will depend on the growth of incomes, spending and prices, as well as policy decisions. Revenue is projected on the conventional assumption of constant tax rates and indexed allowances and thresholds at the proposed 1983-84 levels. National Insurance contribution rates in future years are assumed to be adjusted to maintain an adequate balance in the Fund. Projections of North Sea tax revenues assume that the North Sea fiscal regime is changed as proposed in the Budget and that oil prices remain around their current levels for the next two years and then rise broadly in line with world inflation.

On these assumptions, general Government receipts are projected to rise by nearly 22 per cent between 1982-83 and 1985-86, a little less than the growth in total money income. Government revenue from the North Sea is expected to account for about 6 per cent of total receipts throughout the period.

Public sector borrowing

The new projections of Government receipts and expenditure are brought together in table 2.5 to provide projections of the general government borrowing requirement (GGBR) and the PSBR. The size of the fiscal adjustment, conventionally assumed to take the form of lower personal taxes, depends critically on the estimates of revenues and expenditure. These are subject to major uncertainties about, for example, the tax yield for an assumed set of tax rates, the behaviour of oil prices, and the actual level of public spending in relation to the plans.

Comparison with the 1982 Revenue and Expenditure Projections

The level of money GDP in 1982-83 is estimated to have been nearly 2 per cent lower than expected a year ago, reflecting both lower output and lower prices. The average growth in real output from now on is much the same as in last year's projections, while inflation is rather lower, implying a *slower growth in money GDP* than assumed a year ago. This year's Budget measures have the usual effect of taking up some of the fiscal adjustment in 1984-85. The projected PSBR is unchanged, as a percentage of money GDP, in 1983-84, and ¼ per cent higher in 1984-85, compared with last *year's projections.*

The main factors affecting the estimated outturn for 1982-83 are discussed elsewhere in the report. Changes to expenditure in 1983-84 and 1984-85 reflect the decisions set out in Cmnd 8789 and in the Budget Speech and revised economic assumptions. General government receipts are now projected at the proposed 1983-84 tax rates, which are lower than those used last year. The lower level of receipts also reflects the lower level of money GDP now assumed. In 1983-84, revenues from the North Sea are expected to be £2bn higher than projected a year ago, the *net effect of a higher assumed* level of production, particularly in tax-paying fields, a lower dollar oil price, and the fall in the sterling/dollar exchange *rate that has already taken* place. Projected revenues for 1984-85 are unchanged, with higher production from tax-paying fields helping to offset the effect of a lower sterling oil price than previously assumed.

Conclusions

The projections shown in tables 2.3-2.5 are no more than illustrative of one particular evolution of the economy. If the domestic and world economies develop in a different way, the projections for public finances could be substantially affected. The policy response to such changes would depend on their nature, but the intention would be to hold firmly to the strategy, by maintaining monetary conditions consistent with a continued trend to lower inflation. The key to sustained recovery lies in reducing the growth of costs and increasing the returns to investment and enterprise. Within the financial framework set out here, this would make room for faster growth in output, without damaging the outlook for inflation.

Progress in reducing inflation over the next couple of years will be influenced to some extent, by the strength of the cyclical recovery in output, both domestically and in the rest of the world. The strategy outlined here presupposes a slow recovery in output and trade in other industrial countries. As explained elsewhere in the report, the path of the Retail Prices Index over the next year or so may be affected by special factors, including the recent decline in the exchange rate, and the effect of the fall in mortgage interest rates last autumn. It is not to be expected, therefore, that the path of inflation will be smooth. But the Government's policies will continue to be directed towards achieving a progressive reduction in its underlying trend.

TABLE 2.1 MONETARY GROWTH 1982-83

	Percentage growth					
	Mo(*)	M1	M2	£M3	PSL1	PSL2
February 1982-February 1983	3¼	11	6½	10	8½	9

* Monetary base, wide definition.

Table 2
Ranges for Monetary Growth

	1983-84	1984-85	1985-86
Percentage change during year	7-11	6-10	5-9

TABLE 2.3 GENERAL GOVERNMENT EXPENDITURE

£ billion, cash

	1981-82	1982-83	1983-84	1984-85	1985-86
Public expenditure planning total(*)	104.7	113	119	126½	132¼
Planning total adjustments	−1.0	1½	1	—	—
General government expenditure(‡)	103.7	114½	120½	126½	132¼
Differences due to policy measures and economic assumptions(§)	—	−1½	−1	−1	−½
National accounts adjustments(¶)	13.8	14	14	14	14
Total expenditure in national accounts terms(**)	120.2	130	137½	145	151

* Public expenditure planning total, see Cmnd. 8789, table 1.1, line 9.
† Adjustment to line 1 to exclude public corporations' capital expenditure, *public corporations' net overseas and market borrowing and general allowance for shortfall as in Cmnd. 8789.*
‡ Expenditure on programmes by central government and local authorities plus the contingency and provisional reserves and special asset sales. Broad assumptions have been made about the share of general government in the total of expenditure on programmes shown in Cmnd. 8789 table 1.1 for 1984-85 and 1985-86.
§ Incorporates later information for 1982-83 than in Cmnd. 8789. For 1983-84 onwards includes Budget measures and estimating changes, shortfall and the net effects of different economic assumptions for those in Cmnd. 8789. Revised planning totals for 1982-83 and 1983-84 are shown in table 5.5.
¶ Adjustments to line 3 to the definitions used in National Accounts Statistics.
‖ For 1981-82 see table 2.1, Financial Statistics, February 1983. For 1982-83 and 1983-84 see table 5.8.
** For 1981-82 see table 2.4, Financial Statistics, February 1983. For 1982-83 and 1983-84 see table 5.8.

Table 2.4 GENERAL GOVERNMENT RECEIPTS

£bn, cash

	1981-82	1982-83	1983-84	1984-85	1985-86
Taxes on incomes expenditure and capital	85.9	92	96	103½	113
National Insurance and other contributions ...	16.5	18½	21	22½	23½
Interest and other receipts	10.7	11	11	11½	11½
Accruals adjustment ...	−1.4	−0½	—	−0½	−0½
Total	111.7	121½	128½	137	147½
of which N. Sea tax*	6.5	8	8	8	9½

* Royalties, Supplementary Petroleum Duty (in 1981-82 and 1982-83), Petroleum Revenue Tax (including advance payments from 1983-84) and Corporation Tax from North Sea oil and gas production (before Advance Corporation Tax set off).
Totals may not add due to rounding.

Table 2.5 PUBLIC SECTOR BORROWING

£bn, cash

	1981-82	1982-83	1983-84	1984-85	1985-86
General government expenditure	120.2	130	137½	145	151
General government receipts	−111.7	−121½	−128½	−137	−147½
Implied fiscal adjustmt.*	—	—	—	0½	4
GGBR	8.5	9	9½	8½	7½
PSBR	8.7	7½	8	8	7
as % GDP	3½	2¾	2¾	2½	2
Money GDP at market prices	254	275	296	322......	346

* Means lower taxes or higher expenditure than assumed in lines 1 and 2. Totals may not add due to rounding.

TABLE 2.6 REVENUE AND EXPENDITURE: COMPARISON WITH THE 1982 PROJECTIONS

£ billion, cash

Changes	1982-83	1983-84	1984-85
General government expenditure	−1½	−½	−3
General government receipts	—	−1½	−6
Implied fiscal adjustment*	—	−1	1½
GGBR	−1½	1	1½
PSBR	−2	−½	1½
Change in PSBR ratio (%)	−¾	—	¼

* By definition the fiscal adjustment for 1983-84, in this year's projections, is eliminated by the 1983 Budget measures.

Benefits in kind

AFTER the Chancellor sat down the Inland Revenue issued the following statement. The Chancellor proposes in his Budget that the amounts taxable as benefits in kind when a company car provided for a director or "higher-paid" employee is available for private use shall be increased for 1984/1985 by approximately 15 per cent overall. Similar increases are proposed in the scale relating to fuel provided for private motoring in such cases.

The taxable cash equivalents *of company cars and fuel used* for private motoring are contained in Finance Act 1976 and may be varied by Treasury Order. It is proposed that *Orders increasing all the scales* will be laid before Parliament in the summer.

Benefits uprating to be based on actual price rises over past period, not on a forecast

MR NORMAN FOWLER, Secretary of State for Social Services, yesterday gave details of the social security changes outlined in the Chancellor's statement. *He said:*

I shall be introducing a Bill immediately to restore the historic basis of uprating social security benefits. What this means in practice is that this year's uprating, and future upratings, will be based on the actual increase in prices over a past period, not on the forecast increase. The forecast system—introduced to save money by the last Government—has not worked. The forecast has been wrong in five years out of seven. I believe the *certainty and* stability that this change will bring will be widely welcomed.

In addition the benefit improvements announced in the Budget are probably the most significant made during the lifetime of this Government. They will give considerable extra help to many different groups in our *community* — the unemployed, the sick and disabled, the elderly and families with children. I am particularly glad that we are increasing the real value of child benefit and one-parent benefit to their highest ever level; abolishing the "invalidity trap" which our predecessors were not able to do; and restoring the 5 per cent abatement of unemployment benefit.

A Bill to return to the historic method of uprating will be introduced tomorrow (Wednesday). *The Government has* also decided to make the following improvements:

- Uprate child benefit and one-parent benefit by 11 per cent next November. This means a real increase in value, and both benefits will stand at their highest value since their introduction. Child benefit will be £6.50 and one-parent benefit will be £4.05.
- Remove what is known as the "invalidity trap" so that people on *invalidity benefit can qualify* for the long-term rate of supplementary benefit.
- Restore the 5 per cent abatement of unemployment benefit.
- *Improve* the two main capital disregards in the supplementary benefit scheme and introduce a new disregard for the surrender value of life assurance policies.
- Allow all men over 60 on supplementary benefit to qualify immediately for the higher long-term rate.
- Award national insurance credits automatically to men over 60 thus relieving them of the need to register as unemployed whilst preserving their future benefit position.
- Increase the amount which sick and disabled people are allowed to earn without affecting their incapacity benefit.
- Introduce a new mobility allowance for war pensioners in place of the war pensioners' vehicle scheme.

Uprating method

The present forecast method of uprating *has given rise to* general dissatisfaction. Since its introduction in 1976 the upratings have been based on forecasts but these forecasts have only been correct in two years. In most cases, therefore, the forecast method has meant having to adjust the benefit increases due a year later. Whether the adjustment was upwards or downwards it invariably led to strong public criticism and to confusion.

The historic—or actual—method avoids the possibility of forecasting error and therefore the need for later adjustment of uprating increases. It replaces doubt with certainty based on fact. The Labour Government last used this method in 1975. They then decided to change the method because they did not wish to include in the reckoning for the 1976 uprating a period of high inflation which pensioners had recently suffered. They left an eight months' gap in their calculations from which they saved £500m—equivalent to £1bn at today's prices.

Benefit improvements

There are 11 major benefit improvements announced in the Budget.

Families

First, child benefit is to be uprated in November by 11.1 per cent. *This will take the rate* to £6.50 a week, an increase of 65p, which is substantially more than necessary to protect the November 1982 level of the benefit. *Indeed the increase will* more than restore the April 1979 value which the Government inherited and the new rate will represent the highest *value since child benefit was* introduced.

Second, one-parent benefit will be similarly increased—by 11 per cent—to £4.05 taking it to its highest ever value in real terms.

These decisions demonstrate in a practical way the importance we attach to support for families generally and to giving extra help towards the special needs of one-parent families. The increases will cost £122m in 1983-84 and £340m in 1984-85.

The Elderly

Third, the main capital limit in the supplementary benefits scheme is to be raised from £2,500 to £3,000. This is the second increase of £500 in this limit in successive years. It was raised from £2,000 to £2,500 in November 1982. In the course of a year, therefore, the main capital disregard will have risen by £1,000—a 50 per cent increase.

Fourth, the capital limit which applies to single payments under the supplementary benefit scheme is to be raised also—from £300 to £500. The new limit will allow more people to qualify for a single payment rather than have to use up some of their small savings when a special need arises.

Fifth, a new disregard of capital is to be introduced into the supplementary benefits scheme. Up to now, the surrender value of a life assurance policy *has been treated as* capital and set against the main capital limit. In future, up to £1,500 surrender value will be ignored. Any amount above that will count towards the new, main £3,000 limit.

Those three changes will all take effect in November 1983. They represent a clear indication of the Government's concern not to penalise thrift and to help people with small savings or a modest lump sum redundancy payment when they are most in need of help.

Early retirement

Sixth, from April 5 men over 60 will no longer be required to attend an Unemployment Benefit Office to sign on as unemployed and make themselves available for work, if their only reason for doing so is to obtain national insurance credits, particularly to protect their state basic pension rights. Instead, they will be given the necessary credits automatically, *under regulations to be made* shortly. This will relieve some 90,000 people of the requirement to sign on. Details will be available at Unemployment Benefit Offices at the end of this month.

Seventh, a further measure designed to help this age group is that some 80,000 men over 60, whether sick, disabled or unemployed, will be eligible for the long-term rate of supplementary benefit immediately instead of having to wait for one year on the lower short-term rate. This change will take place in June, as soon as the necessary amending regulations have been introduced. In addition, we shall remove the requirement for those over 60 to register as unemployed. The extra benefit will be worth up to £7 a week for a single householder and up to £10.60 a week *for a married couple, at a cost* of £23m in 1983-84.

These changes will assist men aged 60 and over who have either effectively retired from work or wish to retire early. The Department of Employment will also be extending the Job Release Scheme for a further year and applying it from October to part-time as well as full-time work.

Unemployed people

Eighth, the 5 per cent *abatement of the uprating of unemployment benefit* introduced in 1980 is to be made good at the next uprating in November. This will help some 900,000 *beneficiaries and their families* as a cost of about £20m in 1983-84 and £60m in 1984-85.

Sick and disabled people and war pensioners

Ninth, *steps are* to be taken to remove the so-called "invalidity trap." At present, people receiving invalidity benefit cannot qualify for the long-term rate of supplementary benefit. The decision to allow men over 60 to qualify for the long-term rate immediately will *remove the effects of the trap* on them. This will benefit 37,000 people over 60. In addition 30,000 people under 60 will be removed from the trap from November 1983. A year in receipt of incapacity benefits will be counted as meeting the qualifying period for eligibility to the higher long-term rate.

This will mean that they will qualify for extra weekly benefit up to £7 a week for a single householder and up to £10.60 for a married couple. In addition, they will be eligible to claim additional payments *under the supplementary benefits scheme*, for example, to help with heating, diet and other special needs. This will cost £3m in 1983/84 and £10m in 1984/85.

Tenth, the Government intends to introduce more flexible provisions for war pensioners with mobility needs by introducing a cash mobility supplement in place of the existing vehicle scheme which will be progressively phased out. This supplement will be set at a rate £2.10 a week higher than the civilian mobility allowance (£18.30 a week at present), thus maintaining the traditional war pensioners' preference. Recipients of the new supplement will be able to choose how to provide for their mobility needs—they will be able to use this money to run a car, or to *obtain greater mobility by other* means. If they wish to run a car of their own they will be able to take advantage of the Motability leasing arrangements. About 11,000 war pensioners will be entitled to the new supplement. Of these, some 700 do not drive now. They are unable to benefit under the present arrangements, which provide a car or a cash sum for the upkeep of the pensioners' own car, but a cash allowance will help them. Details of the new scheme will be given in due course.

Eleventh, the therapeutic earnings limit (at present £20) is the amount which people on incapacity benefits (such as invalidity benefit) can earn before their benefit is withdrawn, so long as the work done will not prejudice their recovery. The ability to earn *some money without loss of* benefit allows people to ease their way back into work, and can be a useful aspect of rehabilitation. The limit was given a boost in real terms last year, and in November 1983 will be increased again from £20 to £22.50—a 12½ per cent increase."

Effects on Main Groups of Beneficiaries

Under the present forecast method of uprating, pensions and other benefits would have increased by 3.3 per cent—based on a forecast movement of prices of 6 per cent from November 1982 to November 1983 less 2.7 per cent to reflect the 1982 overshoot. It is not possible to say by how much benefits will increase in November 1983 under the historic method since the rates will not be finally determined until June. But on an illustrative assumption of a 4¼ per cent increase pensions will have increased by 75.6 per cent under the present Government against an expected rise in prices of 70.7 per cent between November 1978 and November 1983.

The increases in child benefit and one-parent benefit will mean that the value of each benefit is higher than ever before. Child benefit went up to £4 in April 1979. The proposed level of benefit in November 1983 is £6.50. This represents an increase of 62.5 per cent since April 1979. By comparison, prices are expected to go up by 51.4 per cent between April 1979 and November 1983. One-parent benefit (then called child benefit [increase]) went up to £2 in November 1978; there was no *further increase in April 1979.* The proposed level of benefit in November 1983 is £4.05. This represents an increase of 102.5 per cent since November 1978. By comparison, prices are expected to go up by 70.7 per cent between November 1978 and November 1983.

THE BUDGET: Details

North Sea revenues expected to be higher

THE TREASURY issued the following statement about Government revenues from the North Sea after the Chancellor sat down:

The Financial Statement and Budget Report (FSBR) contains projections of Government revenues from North Sea oil and Gas (in current prices) over the period to 1985-86. In 1983-84 revenues are now expected to be higher than was projected at the time of the Chancellor's autumn statement last November, and considerably higher than in the projections published at this time last year. There has been little change compared with last year's FSBR in the projection of revenues in 1984-85.

These differences are the result of a number of factors. By comparison with last year's FSBR projections, the projection of markedly higher revenues in 1983-84 is mainly the result of a combination of upward revisions to the assumptions about production in tax-paying fields and about the sterling price of North Sea oil.

In 1984-85, the impact on the projection of revenues of higher production in tax-paying fields is offset by the assumption of a lower sterling oil price.

Government revenues from the North Sea are now expected to be broadly flat between 1982-83 and 1984-85.

Revenue projections

The accompanying table shows Government revenues from the North Sea in current prices for the period 1981-82 to 1985-86. It also compares the latest projections with those made at the time of the autumn statement last November and at the time of the 1981 and 1982 Budgets.

They also show the constituents of total Government revenues in 1982-83 and 1983-84, as projected in both this year's and last year's FSBR.

This note describes the current projection of North Sea revenues and explains why it differs from the two projections made last year. In doing so, it illustrates the very wide margins of error to which such projections are subject.

Comparison with previous Government projections

Government revenues from the North Sea in current prices in 1982-83 are now expected to be £8bn, over £1½bn more than was expected at this time last year and some £½bn more than was expected at the time of last year's autumn statement.

The projections made at the time of the 1982 Budget assumed that for the rest of 1982, both the dollar price of North Sea oil and the sterling/dollar exchange rate would "remain at around recent levels." In the event, the dollar North Sea oil price rose in June from $31 a barrel to $33.50 a barrel, where it remained for the rest of the year, and the exchange rate fell from $1.85 in the first quarter of 1982 to $1.65=£1 in the fourth quarter. So the sterling price of North Sea oil turned out considerably higher than expected.

North Sea oil and natural gas liquids (NGL) production in 1982—at more than 103m tonnes—was also considerably higher than expected, particularly in mature and tax-paying fields.

These two factors also account for the upward revision to the estimate of revenues in 1982-83 compared with the autumn statement.

Oil and gas revenues in 1983-84 are now projected at £8bn which is about £1½bn higher than expected a year ago. The main reasons for this change are higher sterling oil prices, higher oil production in fields likely to pay tax over the period and lower capital spending.

These factors are offset to the extent of about £100m by the cost of the changes to the North Sea tax system announced by the Chancellor in his Budget.

Projections of royalties and petroleum revenue tax (including advance payments) are made for each individual field. Corporation tax payments are calculated for individual companies operating in the North Sea. The distribution of aggregate production and capital expenditure between fields and between companies will affect Government revenues.

The next few paragraphs discuss the assumptions made about the main determinants of revenues (prices, production and capital spending), pointing out where changes since last year in the assumptions about the distribution of production or expenditure have been significant.

The latest projections of Government revenues assume that for the rest of 1983 and 1984, the dollar prices of North Sea crudes will on average be around the levels proposed by BNOC to its customers on February 18. From the end of 1984, North Sea oil prices are assumed to rise in line with world oil prices, which in turn are assumed to rise with world inflation.

These assumptions, however, imply a somewhat higher sterling oil price in 1983 than was assumed at the time of the 1982 Budget, for two reasons. First, the effective exchange rate for sterling is now lower than a year ago and is assumed in the projections to remain around the level in February 1983.

Second, although dollar oil prices are now assumed to be lower than in last year's projections, the calculations also assume a higher value for the dollar against other currencies, including sterling.

In 1984, the sterling oil price is now assumed to be lower than was the case a year ago, mainly because world oil prices are assumed to be lower.

Accompanying tables show the successive forecast ranges of total oil projections as published by the Department of Energy in its "Brown Book" (Development of Oil and Gas Resources of the United Kingdom), and compares them with recorded production for the years to 1982. The table also includes the latest forecast ranges.

As the tables show, forecasts of future production have been subject to wide margins of error. When North Sea production was building up, there was a marked tendency for recorded production to turn out lower than forecast.

In 1981, however, recorded production was very close to the expected central estimate made at the beginning of the year, and within the range expected a year before that. In 1982 production turned out considerably above the expected central estimate made at this time last year (and well within the ranges expected in both the previous years).

Production in existing fields has turned out much better than expected for technical reasons. Production in fields that started up production in 1982 was in general lower than expected because of commissioning delays.

The latest forecast ranges for North Sea oil production announced by the Minister of State for Energy are generally not very different from those made in the 1982 Brown Book. In 1983, the lower end of the range has been increased by 5m tonnes, no change has been made to that in 1984 and in 1985 the top end of the range has been reduced.

It is not possible to give a precise central estimate within these ranges, but the Department of Energy believes that, now that many of the mature fields in the North Sea are at or near peak production, the most likely outturn is now at around the centre of the forecast range.

Capital expenditure and other costs

The projections of aggregate capital expenditure and operating costs are based on material supplied by the oil companies. The Department of Energy adjust this material to take account of independent information or a persistent tendency on the part of particular sources to over, or under, estimation.

The levels of operating costs and capital spending are important determinants of the size of tax receipts because they can be offset against Petroleum Revenue Tax (in those fields liable to PRT over the forecast period) and are allowable against Corporation Tax. So increases in projected operating costs and capital spending will, other things being equal, tend to reduce Government revenues.

Since the 1982 Budget there have been some reductions in the assumption about future capital spending. These changes account for the major part of the rise in the estimate of Government revenues in 1983-84 and are part of the reason why revenues in 1984-85 are expected to be the same as projected a year ago, in spite of the assumption of a lower sterling oil price.

The effect of changes in oil prices

Higher or lower world oil prices could be expected to have an effect on Government revenues from the North Sea. However, the exact effect of a given change in, for example, the dollar oil price will depend on whether the change is matched by changes in the price of North Sea oil and the extent to which the sterling exchange rate changes.

Estimates can be made of the effect of a change in the sterling oil price. For example, if sterling oil prices were to turn out 1 per cent (or about £1½ a tonne) higher or lower than the assumption which underlies the projections of revenues (see tables), total North Sea revenues might be expected to be about £90m higher or lower in 1983-84 and about £125m higher or lower in 1984-85.

The effect on the PSBR is likely to be less than this, because the wider effect of lower world and North Sea oil prices could be expected to lead to higher Government receipts from other sources.

* *Given by the Minister of State for Energy in answer to a Parliamentary Question on March 11, 1983.*

Composition of North Sea tax revenues

£m, current prices

	Royalties		Supplementary petroleum duty		PRT*		Corporation tax†		Total receipts	
	Budget 1982	Budget 1983	Budget 1982	Budget 1983	Budget 1982	Budget 1983	Budget 1982	Budget 1983	Budget 1982	Budget 1983
1982-83	1,330	1,630	2,040	2,400	2,290	3,280	500	500	6,160	7,810
1983-84	—	1,600	—	—	—	5,250	—	1,000	—	7,350

† Before any set-off in respect of ACT. * Including advance payments

Oil production forecasts

m tonnes

Forecasts made in:	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1975	17½	40	62½	85-95	100-130	125-160					
1976	15-20	35-45	55-70	75-95	95-115						
1977		40-45	60-70	80-95	90-110	100-120					
1978			55-65	80-95	90-110	100-120	105-125				
1979				70-80	85-105	[illegible]	115-140	115-140			
1980					80-85	85-105	90-120	95-130	95-135		
1981						80-95	85-110	95-120	90-120		
1982							90-105	90-115	95-125	95-130	
1983								95-115	95-125	90-125	85-120
Outturn	12.2	38.3	54.0	77.9	80.5	89.4	103.3*	—	—	—	—

* Provisional. Forecasts include natural gas liquids (NGLs) and onshore production.

Total North Sea oil and gas revenues

£ billion, current prices

	Budget 1981†	Budget 1982	Autumn statement	Budget 1983
1981-82	5.9	6.4	6½	6.5
1982-83	6.7	6.2	7	8
1983-84	7.9	6.1	7½	8
1984-85	—	8.0	—	8
1985-86	—	—	—	9½

* The figures include receipts from royalties, Petroleum Revenue Tax (including advance payments) and Corporation Tax, before any set off in respect of Advance Corporation Tax. They also include receipts from Supplementary Petroleum Duty in 1981-82 and 1982-83. They do not include non-recurrent payments on the grant of licences.
† Updated to current prices

Field exploration encouraged

THE CHANCELLOR proposed a number of changes in oil taxation principally designed to encourage future exploration and appraisal of UK oil and gas reserves and the development of new fields.

The main features of the package were: *measures to give relief totalling over £800m over the next four years starting with some real cash flow benefits in 1983-84 of £115m; a significantly lower tax regime for future fields, based on the doubling of the Petroleum Revenue Tax oil allowance and the abolition of royalties for fields whose development is approved on or after April 1 1982, apart from those onshore or in the Southern Basin; the phasing out of Advance Petroleum Revenue Tax, which will be complete by the end of 1986; immediate PRT relief against any field for expenditure incurred after today on searching for oil or appraising reserves discovered.*

These measures followed careful study of the profitability of future development, in consultation with the oil industry.

The Chancellor also proposed measures, following a Consultative Document issued in May 1982, to relax the rules relating to PRT relief for expenditure on assets with shared use (such as pipelines) and, as a corollary, to charge related receipts (such as pipeline tariffs) to PRT, subject to an exempt allowance. This new regime will clear up uncertainties in the present position, and encourage the shared use of these assets.

Details of major changes in oil tax

Phasing out of APRT. APRT, which advances the payment of PRT into the early years of production of a field, will be phased out. The rates applying will be: January 1 1983 to June 30 1983, 20 per cent; July 1 1983 to December 31 1984, 15 per cent; January 1 1985 to December 31 1985, 10 per cent; January 1 1986 to December 31 1986, 5 per cent. Thereafter APRT will be abolished.

PRT Exploration and Appraisal Relief. *At present the cost of exploring for oil in the UK and UK Continental Shelf can be claimed against PRT for any field, if the expenditure is accepted as abortive.* The cost of appraisal of reserves can only be allowed if they are *subsequently* developed and then only against that field.

For expenditure incurred *after yesterday, a participator* will be able to claim PRT relief against any field for exploration or appraisal expenditure provided it is not within a PRT field for part or all of which development consent has been given or a development programme has been approved.

Relief will be given whether or not the expenditure is abortive except that expenditure on acquiring a licence interest will only be allowable when the licence (or the relevant part *of it) is abandoned.*

There will be no time limit for a claim (and the existing time limit for abortive exploration relief will be removed).

Future field reliefs. There will be two new benefits for all fields where development consent (or approval of a development programme) is first given after April 1, 1982 (except for onshore fields and Southern Basin fields defined as those in designated areas East of the UK, South of 55degN and North of 52degN).

The Secretary of State for Energy will be taking steps to abolish royalties on such fields. And the PRT oil allowance will be doubled to 1 million tonnes *of oil a year, subject to a cumulative* limit of 10 million tonnes per field.

The Government is ready to discuss with the industry whether there is a need to extend these reliefs to Southern Basin fields. If the case is made out, fields developed after today would benefit from any extension.

PRT expenditure reliefs on shared assets and the taxation of related receipts. This legislation fulfils a commitment announced in the 1982 Budget Speech. A Consultative Document was issued on May 7, 1982, proposing that in future full, front-end relief should usually be given in *circumstances where an asset was also* to be used otherwise than for the oil-producer's own field and where under existing law relief would need to be restricted.

The document also proposed that incidental receipts, such as pipeline tariffs or sale proceeds, attributable to such assets should come within the charge to PRT.

The main proposals will be implemented in the Finance Bill but, following consultation with the industry, two major changes are proposed: First, *for most income receipts, there* will be an exemption for ½m metric tonnes throughput a year from each user field — ie 250,000 *metric tonnes* (or equivalent gas) throughput per six-monthly chargeable period: Second, for agreements made on or before May 7, 1982 (the date of publication of the Consultative Document) this allowance will be increased for a period of five years to ¾m metric tonnes a year — 375,000 metric tonnes per chargeable period.

The new rules will take effect from July 1, 1982. (The Consultative Document indicated that legislation to implement its proposals should be backdated. July 1, 1982 is the beginning of the first six-monthly chargeable period following publication of the proposals).

Miscellaneous provisions

Transfers of oil or gas for use in production by the same person in another field. Under the present PRT rules where *gas is produced in one field* and transferred to a second field in the same ownership for production purposes, its value is taxed *in the first field but no corresponding* relief on that value is given in the second field. It is proposed to change the rules so that where gas is transferred for such use insofar as the second field is in the same ownership, the value of the gas will not be taxed.

Transfer of interest in field. Where an interest in an oil field is transferred to a new participator, special "succession" rules exist. Inter alia, these allow the new participator the benefit of unused losses of the old participator, but not where the loss arose in the period of transfer. This anomaly is being removed.

PRT valuation. Legislation will be introduced to put beyond doubt that the PRT valuation rules require normal commercial credit terms to be assumed for market valuations of oil appropriated for the participator's own use or disposed of other than at arm's length.

Adjustment of incorrectly allowed PRT expenditure reliefs. A defect will be remedied in the rules for putting matters *right where expenditure has* been incorrectly allowed.

Oil industry discussions

As well as criticising the structure of the regime the oil industry argued that the level of taxation was discouraging activity on the Continental *Shelf. Ministers* therefore authorised discussions between the UK Offshore Operators' Association and officials of *Treasury, Inland Revenue* and Department of Energy to establish the likely profitability of future development.

Detailed discussions have been held with UKOOA and individual operators about future projects and in the light *of these, the Chancellor has* concluded some additional reliefs to improve incentives for future offshore development are *justified.*

There are three aspects to his proposals.

Phase out of APRT. No evidence has been provided which suggests that existing fields are not in general making attractive profits under the present regime, at present oil prices. But in the light of current pressures on the oil industry's cash flow the Chancellor has decided to phase out the acceleration of PRT through the APRT system to provide some easement in cash flow over the next few years, to help finance new development.

Reliefs for future fields. Removing royalties and doubling the PRT oil allowance for future fields will mean that there will be no imposts on these fields not related to profits, no special taxes paid before costs have been recovered out of income and no *special taxes on production* up to the substantial level of 1m tonnes a year per field. These future field reliefs will not *apply to Southern Basin or* onshore fields, because the available evidence does not suggest that they are needed, but these fields will benefit from the phase out of APRT.

PRT expenditure reliefs on shared assets and taxation of related receipts. It has been generally recognised in the light of developments that the existing rules for PRT relief for expenditure on shared assets were becoming increasingly inappropriate.

In particular, there was a danger that by *restricting relief* when assets were or were likely to be shared, they could inhibit sensible and desirable arrangements for sharing existing assets, such as pipelines, and so defer or prevent the development of some future, smalle fi'ds (for which the cost of laying their own pipelines could be prohibitive).

The removal of the present restriction on relief will give considerable benefit to the industry (not precisely quantifiable but, as compared to the likely effect of current *law, running* to some hundreds of million pounds over a period of years).

The taxation of receipts, such as tariffs, from such assets is the corollary of the more generous reliefs proposed, but its incidence will be substantially abated by the proposed throughput allowance which is available to the owner of the assets for each field *making* use of the assets.

These proposals, taken together with the minor proposals, are estimated to cost *£115m in 1983-84* and over *£200m* a year on average over the four year period 1983-84 to 1986-87.

There are many other factors besides tax affecting the rate of future development, in particular oil prices and the rate at *which technological progress* can bring costs down, but the Government believes these changes should provide the *right fiscal environment for a* successful development of the next generation of fields.

Treasury letter to offshore operators

THE TREASURY issued the text of a letter from Mr John Wakeham, Minister of Statae at the Treasury, to the UK Offshore Operators' Association (UKOOA).

The letter stated:

"The last few months have seen *a full and valuable process of consultation and discussions between the Government and the industry on future North Sea profitability and the* fiscal regime. UKOOA and officials have each conducted studies.

On December 22 you sent Nigel Lawson and myself a blue book reporting the results of UKOOA's study of future field profitability and making proposals on tax and royalties. In our deliberations on the fiscal regime I and my colleagues have given very careful consideration to your representations and the results of the two studies.

"It *is common ground* between us that future oil fields are likely in general to be smaller, geologically more complex *and proportionately more* costly to develop than the majority of existing fields.

"We certainly believe that the most important objective is to ensure an appropriate fiscal environment for the development of the next generation of fields.

"I think the discussions which have taken place have confirmed that UKOOA also see this as a primary objective.

"The Chancellor has taken full account of UKOOA's main points, in particular, your concern to encourage future exploration, appraisal and development.

"Thus the proposals *announced today provide a* substantially more favourable regime for future fields, together with a package of relief *on current fields to help finance* new developments which will be worth more than £800m over the next four years, starting with £115m in 1983-84. *Perhaps* I could comment briefly on each of the main changes in turn.

"First, we are phasing out APRT. The *industry has* been unanimous in asking for this. This should provide some easement of present cash flow and *help finance future North Sea* activity. In addition, it means future fields will pay no APRT.

Second, we are introducing *immediate PRT relief* for the costs of searching for and ascertaining the extent and characteristics of new oil and *gas reserves anywhere* in the UK or beneath the Continental Shelf.

This is another measure sought by your Association. In effect it means that the Exchequer will provide rapid tax relief worth up to 75p in the pound for the cost of exploration and appraisal drilling, where the company concerned is paying PRT. It also goes some way towards your wish to see a relaxation at the edges of the field basis of PRT.

Third, all future fields (defined as those approved for development since April, 1982) apart from those onshore and in the Southern Basin will pay no royalties and get double the existing oil allowance. These measures go a long way towards your own proposals for oil allowance and royalties.

The fiscal regime for these fields will be much simpler: just PRT and corporation tax. They will pay no special taxes until costs have been recovered. Even after payback these fields will only pay PRT when annual production exceeds 1m tonnes a year (20,000 barrels a day). The tax they do pay will be entirely profit-related.

I hope you will agree that in making the Budget changes, costing an average of £200m per annum over the next 4 *years, the Government has* shown itself responsive to changing circumstances. In particular we have taken into account the smaller size of future projects.

Another factor in our deliberations has of course been the current uncertainty about the immediate prospects for oil prices. We have, I believe, given substance to our declared aim of closing the gap between the Government and the industry on the impact of the North Sea fiscal regime.

Tax, of course is not the whole story; the pace of future development also depends on price expectations and the rate of technological change in bringing down cost.

I know that UKOOA is keen to see the results. I am pleased to be able to give these together with tables showing the effect of the Budget changes. The detailed figures and a narrative commentary are attached.*

But I believe we have done our part in ensuring that the UKCS remains an attractive oil and gas province and I hope we can look to the industry for a positive response.

* *Copies of the figures and narrative commentary are available as a Background Paper from the Reference Room, Inland Revenue Library, Room 8, New Wing, Somerset House, Strand, London WC2R 1LB, price 40p a copy (post free).*

Mortgages relief limit is raised to £30,000

AFTER the Chancellor had spoken the Inland Revenue issued this statement:

Mortgage interest relief ceiling: changes for 1983-84

The Chancellor proposed to increase the limit on loans qualifying for mortgage interest relief from £25,000 to £30,000 for 1983-84. The Finance Bill will also contain provisions related to that increase dealing with the benefit from certain interest-free loans. This notice sets out the main points of the changes along with other effects on people with mortgages.

The tax relief limit

The tax relief for interest on *loans for house purchase or* improvement is given only to the extent that the amount on which the interest is payable *does not exceed a limit.* The limit for 1982-83 was £25,000 and the Chancellor proposes that for 1983-84 it should be increased to £30,000.

The £25,000 limit on loans which are made to persons aged 65 and over to purchase life annuities and which are secured *on their home will also be* increased to £30,000.

Implementation of Budget changes affecting mortgage interest relief:

The increase in the tax relief limit

Under the new scheme for mortgage relief at source, lenders were permitted to opt to bring loans over £25,000 into the scheme but were not required to do so. Where lenders have already opted to bring these loans into the scheme, they may recalculate borrowers' payments from April 6 to take account of the proposed increase in the £25,000 limit.

Where lenders have not opted to bring over-£25,000 loans into the scheme, they may bring new loans made on or after April 6 into the scheme from the outset if they do not exceed the proposed new limit of £30,000.

Existing loans which were above £25,000 at the relevant date laid down by the Income Tax (Interest Relief) Regulations 1982 (1982 SI 1236) will remain outside the new scheme for 1983-84, and relief will continue to be given through PAYE or tax assessments (see 4 below). Guidance will be issued shortly to lenders on the implementation of the increase in the tax relief limit.

Review of PAYE codes for 1983-84

Codes **for employees with "large" mortgages.** Tax offices will review cases where there *are indications that the mortgage* exceeds £25,000. Where the loan is within the new tax relief arrangements, any additional *relief at the basic rate* will be given by the lender and any additional relief in excess of the basic rate will be given *in the PAYE code.* Where the loan is not within the new tax relief arrangements, any additional relief will be given *wholly in the PAYE code for* 1983-84.

Mortgage interest ceiling and interest-free loans

Where an employee gets a cheap or interest-free loan from his employer, the benefit of that loan, measured by *reference to the "official rate"* of interest (currently 12 per cent), is taxed as a benefit in kind.

Where, however, interest on the loan would have qualified for tax relief under the normal interest relief provisions, eg for *the purchase of a person's only* or main residence, the benefit is exempt from tax.

Following the increase in the *mortgage interest ceiling,* and subject to the following paragraph, no tax will be payable from 1983-84 in respect of such *loans up to £30,000 instead of* £25,000.

Excessive relief may, however be obtained in a way that was not intended, when an interest-free loan is obtained before any interest-bearing loan. The Finance Bill will contain a provision to ensure that the new £30,000 ceiling applies to all loans, whether interest-free or interest-bearing. The new rules apply from April 6, 1983.

The Chancellor proposed to extend mortgage interest relief to certain self-employed taxpayers who are under a contractual obligation to live in "job-related" accommodation but are buying a home of their own. The details of the change are set out below, along with other points which are relevant to people with mortgages.

Budget change.

People living in "job-related" accommodation—Relief for mortgage interest paid by individuals is in general available only in respect of the borrower's main residence. Since 1977, relief has also been available in certain circumstances for employees in respect of a property which they are buying but which is not their principal residence because they live in accommodation provided by their employers in relation to their job.

The capital gains tax exemption on gains from disposal of a main residence was also extended to cover these cases. But these provisions do not apply to people who are self-employed.

The Chancellor now proposes to extend the "job-related" reliefs for mortgage interest and capital gains tax to self-employed people under a contractual *requirement to live in* accommodation provided for them as part of the terms of their trade, profession or location but who are buying a home of their own. These provisions will apply with effect from April 6, 1983.

Changes previously announced for 1983-84:

For people with mortgages, tax deductions under PAYE from April 6 will be affected by two factors which are quite separate from the Budget changes.

First, PAYE code numbers for 1983-84 include an adjustment to recover excess mortgage interest relief given during 1982-83. The amounts of relief included in 1982-83 codes proved too high because of substantial falls in interest rates during the year.

An Inland Revenue Press notice on August 11 1982 announced that because of the difficulties and inconvenience of reducing codes in the middle of the year, 1982-83 codes would be left unchanged, unless the taxpayer asked for an adjustment, and that the excess relief given during the year would be recovered by an adjustment in codes for 1983-84.

Taxpayers affected will have had a notice of coding for 1983-84 showing the adjustment made to their code. The adjustment will increase tax deductions during 1983-84 to compensate for the excess relief given in 1982-83.

Second, introduction of the new scheme for giving mortgage interest relief at source will mean that most people with mortgages will in future get their basic rate relief by a reduction in their mortgage payments rather than through PAYE.

Their tax deductions will be higher than before, but their mortgage payments will be lower. The new arrangements will for most borrowers prevent underpayments or overpayments arising on future changes in interest rates. Higher rate relief will continue to be given separately through PAYE or tax assessments.

The Financial Secretary will be writing to MPs about these changes.

Review of PAYE codes for 1983-84—Codes for employees liable to tax at higher rates who have a mortgage

The new scheme for mortgage relief gives basic rate relief at source.

A coding adjustment (under the heading "Interest—Higher Rate Relief") has already been made in codes for 1983-84 to give relief in excess of the basic rate. Tax offices will review this *adjustment in the light of the* Budget changes in bands of taxable income, and will change codes when necessary.

The categories of lender who may be "qualifying lenders" within the scheme for mortgage interest relief at source are laid down in Paragraph 14 of Schedule 7 to the Finance Act 1982.

It is proposed to include a provision in the Finance Bill for a power for the Treasury to prescribe as qualifying lenders other bodies whose activities and objects qualify them for inclusion in the scheme. Lenders prescribed under the new power would enter the scheme in April 1984.

Civil List awarded modest increase of 4.7%

A "*very modest*" increase of 4.7 per cent in the Civil List awarded to the Queen to meet expenses incurred by the Royal Family in carrying out public engagements was announced by Buckingham Palace.

Total grant for the calendar year 1983-84 rises to £4,833,900, an increase of £217,217 on last year.

The increase in the Parliamentary vote for the Civil List which runs the financial year 1983-84 is 4.4 per cent, because of the falling rate of inflation, and is lower than the planned increases in all the largest Government programmes for the coming financial year.

Estimates for social security run at 7 per cent, defence at 13 per cent and health and personal social services 7 per cent.

A Palace spokesman said the "very modest" increase was achieved by cutting staff through voluntary redundancy and natural wastage, cutting office running costs, and because of a "very pleasing operational profit" from the Royal gardens at Windsor.

The Queen's personal increase is 4.6 per cent of her grant; £2,488,600, or 67 per cent, is taken up by salaries and wages, including national insurance, and incorporates a 3.5 per cent increase in pay from April 1 1983 in line with Government cash limits.

The non-salary element of £1,221,800 in the Queen's grant shows an increase of 6.75 per cent over the 1982 figure.

Enterprise and small companies

Measures planned to encourage risk taking

AFTER the Chancellor's speech the Treasury issued the following statement.

In his Budget statement the Chancellor announced a series of measures designed particularly to help small businesses and to encourage enterprise and risk taking.

Each of the Chancellor's Budgets has contained such measures and those announced today will take the number of measures which the Government has introduced to assist small firms and enterprise to over 100. Among the most important measures announced are a new Business Expansion Scheme, which extends the life of the present Business Start-Up Scheme to April 1987 and applies it to investment not only in new trading companies but also to investment in existing qualifying unquoted trading companies; a reduction in the "small companies" rate of corporation tax from 40 per cent to 38 per cent, coupled with substantial increases in the "small companies" profit limits, changes which will assist small and medium-sized businesses with profits up to £500,000; and the nationwide extension from August 1983 of the Enterprise Allowance scheme.

Alongside the Business Expansion Scheme there are a number of other measures to help with business finance—new rules for the tax treatment of deep-discount stock, changes in the tax treatment of acceptance credits and interest on Eurobonds, and a £300m increase in the ceiling for lending under the Loan Guarantee Scheme. The wider spread of share ownership will be assisted by improvements in the tax reliefs for profit sharing and share ownership will be assisted by improvements in the tax reliefs for profit sharing and share option schemes and by the extension of interest relief for borrowing to employee buy-outs. A change in the small workshop scheme will help with conversions of older premises into small units. In addition there are changes in the capital transfer tax and capital gains tax regimes, together with the announcement that two or three freeports are to be introduced on an experimental basis.

The main features of these proposals are described in the following paragraphs, with references where appropriate to the Inland Revenue press notices providing more detailed information. In total, the tax measures to assist enterprise and small firms announced in the Budget will have a revenue cost of some £110m in 1983-84 and £275m in a full year. The gross cost of the nationwide Enterprise Allowance scheme will be £25m in 1983-84 and £29m in 1984-85.

Business Expansion Scheme

In the 1981 Finance Act, a new income tax relief for individuals was introduced for investment by "outsiders" in ordinary shares issued in certain companies starting new trades. The relief applied to investment in qualifying trading companies which were broadly not more than five years old. The scheme, which is known as the Business Start-up Scheme, applies to shares issued between 6 April 1981 and 5 April 1984.

In his Budget Statement the Chancellor announced important changes to this scheme. The life of the scheme will be extended for a further period to April 1987. And, from 6 April 1983, the coverage of the scheme will be greatly widened. It will apply not just to companies carrying on a new trade, but to a great number of existing unquoted trading companies as well. The extended scheme will be known as the Business Expansion Scheme. Full details will be contained in the Finance Bill.

The maximum allowable investment per individual in any year will be doubled from £20,000 to £40,000 and, as at present, relief will be given at the investor's full marginal rate of income tax (including investment income surcharge). As at present, the investor will need to keep his capital in the company for at least five years in order to retain full relief.

A number of other changes are being made to improve the scheme. In particular the present restriction which limits relief in total to 50 per cent of the company's issued ordinary share capital will be removed. Under the new scheme there will be similar arrangements to those at present for an investor to obtain relief where an approved fund invests in qualifying shares as his nominee. The cost of the new scheme will depend on take-up, but might be £25m in 1983-84 and £75m in a full year.

"Small companies" rate of corporation tax and profits limits

Where its profits are below a certain limit, a company pays corporation tax on its income at a specially reduced rate. This rate is being reduced from 40 per cent to 38 per cent. The limit up to which this rate applies is being increased from £90,000 to £100,000, double the figure when the Government took office. Where a company's profits are between this lower limit and a higher limit, it pays corporation tax on its income at an average rate which gradually increases to the full rate, 52 per cent. The higher limit is also being increased, from £225,000 to £500,000, nearly six times the level it was when the Government took office. This means that the marginal rate of tax on profits between the two limits will come down from 60 per cent to 55¼ per cent. The cost will be £40m in 1983-84 and £70m in a full year.

Enterprise Allowance

The Enterprise Allowance helps unemployed people to set up in business and has been available experimentally in five pilot areas since early 1982. Evaluation of these pilots is not yet complete. But public response to the scheme has been encouraging and there is already evidence that many of the new businesses are generating additional employment. The scheme is therefore being extended. The existing pilots will run on until the end of July 1983. From August 1 to end-March 1984 the allowance, which is £40 per week, will be available country-wide, within an overall cash limit of £25m in 1983-84. This is enough to cover around 25,000 successful applications, over 10 times as many as under the pilot schemes. The allowance is payable for a full year and the scheme will cost a further £29m in 1984-85. Because of savings in unemployment benefit, the net public expenditure cost is expected to be about two-thirds of the gross.

VAT registration and de-registration thresholds

The VAT registration thresholds (below which small traders are not obliged to register) will be increased from £17,000 to £18,000 taxable turnover a year. The de-registration threshold (for the voluntary de-registration of small traders) will be raised from £17,000 to £18,000 where past turnover is concerned and from £16,000 to £17,000 where estimated future turnover is concerned. This is the fourth successive Budget in which the thresholds have been raised and the increases will provide about 24,000 traders with the opportunity to de-register if they wish. The measure will cost £5m in 1983-84 and in a full year.

Profit sharing and share option schemes

The Budget contains three measures to improve the tax reliefs for profit sharing and share option schemes.

First, the annual limit on the value of shares can be allocated to an employee under an approved profit sharing scheme is at present £1,250. The limit is now being amended to include an alternative limit of 10 per cent of the employee's earnings, subject to an overall maximum of £5,000. Second, the £50 upper limit on monthly contributions by an employee under an approved savings-related share option scheme is being increased to £75. Third, the new installment relief which was introduced in the 1982 Finance Act for share options outside the approved savings-related schemes is being extended. Under the Budget proposal it will be possible to spread the income tax payable when an employee exercises such a share option over five years, rather than three years as at present. These changes will cost £20m in 1983-84 and £35m in a full year.

Employee Buy-Outs

Tax relief for interest is to be extended to borrowing for the purchase by employees of shares in an employee-controlled company as part of an employee buy-out. This will cost £1m in 1983-84 and £2m in a full year.

Capital transfer tax changes

Three changes are proposed for capital transfer tax. First, with some rounding up beyond that required by Section 91 of the 1982 Finance Act, the threshold and rate bands will be increased in line with inflation. The threshold for 1983-84 will be increased from the present level of £55,000 to £60,000. Second, there will be increases in the rates of certain business and agricultural reliefs. The relief for minority shareholdings in unquoted companies and the relief for tenanted agricultural land will both be increased from the present 20 per cent to 30 per cent. Third, payments will in future be able to be made by interest-free instalments over 10 years rather than eight as at present. The measures will cost £22m in 1983-84 and £55m in a full year; further details are in a separate Inland Revenue Press notice.

Capital gains tax

There are three changes proposed for capital gains tax in this context. First, as Section 80 of the 1982 Finance Act provides, the annual exempt amount will be increased in line with the RPI. For 1983-84 the exempt amount for individuals will be increased from its present level of £5,000 to £5,300. Second, there will be increases in a number of other CGT monetary limits—for example, the relief available for "small part" disposals of land will be increased from its present level of £10,000 to £20,000. And third, there will be an increase from £50,000 to £100,000 in the maximum amount of CGT relief available when a business is disposed of on retirement. Details of these and other CGT changes are contained in a separate Inland Revenue Press notice. The measures have a full year cost of £15m.

Stock issued at a discount

New rules are being introduced for the tax treatment of stock issued by companies at a discount. The lender will be taxed on the accrued income on disposal or redemption of the stock. The borrower will get relief for the discount annually on an accruals basis. A separate Inland Revenue Press notice provides detailed information. The change will cost about £15m in a full year.

Where a trading company raises short-term finance by means of bills of exchange accepted by a bank, the discount it suffers on the bills is usually allowable as a trading expense under present law. Relief is, however, to be extended to cover certain cases where it is not already available—eg where the company is an investment company raising finance for its trading subsidiaries. Relief is also to be given for the incidental costs of raising finance in this way. A separate Inland Revenue Press notice provides more detailed information. The measure will have a full year cost of £1m.

Interest on Eurobonds

The rules for deduction of tax at source from interest are to be changed to permit interest on Eurobonds to be paid in certain circumstances without deduction of tax. The borrower will now be able to get relief for the interest paid. The measure will cost £5m in a full year.

Loan Guarantee Scheme

The Loan Guarantee Scheme was introduced in the 1981 Budget and provides a Government guarantee on 80 per cent of each loan made by the participating financial institutions to small businesses. The total ceiling for lending under the scheme is to be raised by £300m to £600m and the scheme extended to certain tourist-related and business training activities. Under the scheme some 9,000 loans worth nearly £300m have been made, over half going to new businesses.

De minimis limited for assess of apportioned income

Under the close company rules, some or all of the investment income of close companies may be apportioned among the members of the company in proportion to their respective interests in the company. Any sum apportioned to an individual is treated as his income, and taxed accordingly. No tax is charged, however, if the amount apportioned to all shareholders. The £200 limit (which was last increased in 1973) will be increased to £1,000 in respect of apportionments made for accounting periods ended after April 5 1983.

Small industrial workshop scheme

The 100 per cent initial allowance for small industrial workshops is being extended to cover all industrial units in a converted building where the average size of all those units does not exceed 1,250 sq ft. A separate Inland Revenue Press notice provides detailed information.

Freeports

The report of the working party on freeports, under the chairmanship of the Economic Secretary to the Treasury, was published on March 3. In his Statement, the Chancellor announced that the Government had accepted the report and will implement its recommendation for the introduction on an experimental basis of freeports in two or three locations. Legislations will be introduced in the Finance Bill to enable selected freeport sites to be designated. There will be widespread consultation before the sites are chosen.

Benefits in kind

Provision to reverse scholarship ruling

AFTER the Chancellor's speech the Inland Revenue issued the following statement. The Finance Bill will contain provisions dealing with a number of benefits enjoyed by directors and higher-paid employees by reason of their employment. The items affected are:

- Scholarships provided for members of an employee's family;
- Expensive houses provided for directors and others; and
- PAYE tax ultimately borne by the employer.

Scholarships

In December last year the House of Lords held that Section 375 of the 1970 Taxes Act, which exempts from income tax income from scholarships, applied also to exempt from tax benefits enjoyed by directors and higher-paid employees when their children received scholarships from a trust set up and funded by the parent's employer.

The Finance Bill will contain a provision which reverses that decision so that new scholarships awarded on or after March 15 1983 under schemes like that considered by the House of Lords will give rise to a taxable benefit in kind for the parent. Existing awards are not affected so long as the scholar remains at the same educational establishment.

This proposal will not affect the scholarship income in the hands of the scholar himself, nor scholarships won in genuinely open competition, which will remain exempt.

Where an employer meets education costs incurred by an employee who is working abroad for a year or more the position will be unaffected by the proposals in the Finance Bill. Normally, an employee who is absent from the United Kingdom for a period of 12 months or more will qualify for 100 per cent foreign earnings relief under Schedule 7 of Finance Act 1977.

Directors' Houses

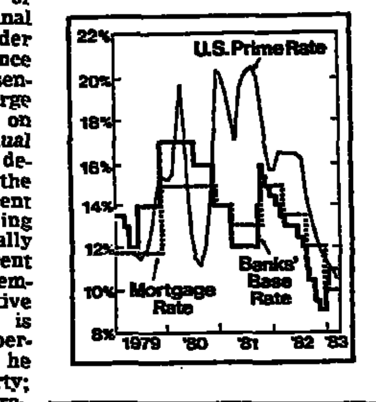
Where a director or employee occupies a company house or flat rent-free or at a nominal rent he is liable to tax under Section 33 of the 1977 Finance Act unless he is in "representative occupation." The charge under Section 33 is based on the greater of the "annual value" of the property as defined in Section 531 of the Taxes Act 1970 and the rent paid by the "person providing the accommodation"—usually his employer—less any rent paid by the employee. (An employee is in "representative occupation" generally if it is necessary for the proper performance of his duties that he should reside in the property; or the accommodation is provided for the better performance of the duties of his employment and it is customary for employers to provide living accommodation for employees in his kind of employment.)

The definition of "annual value" in Section 531 of the Taxes Act is broadly that which applies to determine the gross annual value for rating purposes. Where the property in question is large or expensive that value may fall far below current rental values. Cases have recently come to light where companies have purchased expensive properties for their directors' private occupation and the charge under Section 531 has been plainly inadequate. In some cases including some where the property was purchased from the director himself, the director has had an option to buy the property at some future date for the price paid by the company. In such cases the transaction amounts in effect to the granting of an interest-free loan of the purchase price.

Such transactions effectively both get round the Companies Acts prohibition on the making of interest-free loans to directors and avoid any charge under Section 66 of the Finance Act 1976 (taxation of beneficial loans to directors, etc). It is proposed that where from April 6 1984 an employee or director occupies a company house the tax charge shall more closely reflect the true value.

PAYE Tax

The Finance Bill will contain a provision designed to cancel the tax advantage that can arise where an employer paying emoluments fails to deduct and account for PAYE tax at the proper time. It is proposed to ensure that where the tax is ultimately borne by the employer rather than the individual that tax is invariably treated as part of the individual's taxable income.



Corporation tax

Set-off rules to be changed

AFTER the Chancellor's speech the Inland Revenue issued the following statement. The Chancellor proposes in his Budget to make changes to the rules governing the set-off of Advance Corporation Tax (ACT) and credit for foreign tax against the corporation tax charged on companies' profits. The order in which the two reliefs are set against corporation tax is to be reversed to give companies more scope to utilise credit for foreign tax.

Background

At present a company with income which has already borne foreign tax may, in general, claim relief for the foreign tax against its corporation tax liability. The relief is given by crediting the foreign tax paid against the corporation tax charged on the income. The measure of income for this purpose is usually the total income from the foreign source before deduction of foreign tax, although in the case of foreign dividends the foreign tax on the profits out of which the dividend is paid can in certain circumstances also be taken into account.

The credit for foreign tax paid which is given in this way is however limited to the amount of UK corporation tax attributable to the income which has borne the foreign tax. At present, this amount is the net amount of corporation tax as reduced by set-off of ACT.

Where a company has more than one source of income and has ACT which has to be allocated against corporation tax attributable to these sources for the purpose of calculating the net corporation tax against which credit for foreign tax can be set, the ACT can be allocated as the company chooses, with one restriction. This is that the amount allocated against corporation tax attributable to any source cannot exceed the ACT appropriate to a distribution which, together with that ACT, would equal the income from that source.

Proposed change

The Chancellor proposes to amend the rule described in paragraph 2 above. In future, a company will be able to set double taxation relief (DTR) against the corporation tax which is attributable to income which has borne foreign tax, before any ACT set-off.

The rule described in paragraph 3 above which limits the ACT that can be allocated against CT attributable to any income will remain but with a consequential amendment. Where the corporation tax attributable to any income is reduced by credit for foreign tax below the amount of ACT which together with its associated distribution equals the amount of that income, then the ACT set-off is not to exceed the corporation tax charge as so reduced. The aggregate amount of ACT allocated under these rules then becomes the maximum which can be set against the company's corporation tax liability on its income.

The effect of the proposed change is to absorb credit for foreign tax which is lost under the present rules thereby releasing ACT for alternative use.

The change applies to company accounting periods ending on or after April 1 1984.

Examples

Example 1 below illustrates the working of the present system in the case of a company with UK income and two sources of foreign income bearing foreign tax at different rates. Example 2 shows how the proposed changes will affect the position. In these examples the rate of corporation tax is assumed, for illustrative purposes, to be 50 per cent and the rate of ACT is taken as 3/7ths. The company has paid a dividend of £2,800 on which the ACT is £1,200.

Example 1 (Present system)

	UK Income	Foreign Interest (foreign tax 10%)	Foreign Dividend (foreign tax 45%)	Total
	£	£	£	£
Income chargeable to CT	2,000	1,000	1,000	4,000
CT (assumed rate 50%)	1,000	500	500	2,000
ACT (Maximum)	600	300	300	1,200
	400	200	200	800
Credit for foreign tax	—	100	*200§	300
Net CT liability	400	100	Nil	500

* The full foreign tax is 450 so that 250 is wasted.
§ Limit.

Example 2 (Proposed change)

	UK Income	Foreign Interest (foreign tax 10%)	Foreign Dividend (foreign tax 45%)	Total
	£	£	£	£
Income chargeable to CT	2,000	1,000	1,000	4,000
CT (assumed rate 50%)	1,000	500	500	2,000
Credit for foreign tax	—	100	450	550
	1,000	400	50	1,450
ACT	600	300	†50§	950
Net CT liability	400	100	—	500

† The full foreign tax credit has been allowed and ACT of 250 is saved for alternative use. In effect what would have been wasted foreign tax credit in Example 1 is converted to surplus ACT in Example 2.
§ Limit.

Capital Transfer Tax

Proposals aim to increase the starting point

THE Inland Revenue issued the following statement after the Chancellor's speech. The Chancellor proposes in his Budget to increase the starting point at which capital transfer tax first applies and introduce new bands where tax is chargeable. The rates of tax are unchanged.

The new bands broadly reflect the change in the retail prices index over the past year with some rounding up of the figures to produce a better rate schedule.

The New Bands

The Finance Act 1982 made provision for the capital transfer tax bands to be adjusted *annually in line with the* change in the retail prices index over the preceding year. Those indexed bands are set out in a Treasury order being made today.

Indexation is, however, subject to Parliament's overriding right to determine differently. The new bands proposed by the Chancellor are *broadly in line with the change* in the retail prices index over the year ending December 1982, with some further rounding up of the figures over and above that required by the provision for automatic indexing.

The pre-Budget and post-Budget capital transfer tax scales, both for transfers on death and during life, are set *out in the tables overleaf*, together with the effect of the proposed changes on specimen estates. The tables also show the bands what would have applied had last year's bands been *adjusted more precisely* to reflect the change in prices over 1982.

The new bands apply in respect of transfers *made on or after* Budget Day.

The Chancellor proposes in his Budget a number of detailed changes to the capital transfer tax code. They are:

1. Increase in the rate of relief for transfers of minority holdings in trading companies and tenanted agricultural land;
2. Extension of the period over which the capital transfer tax attributable to certain property may be paid in instalments;
3. Removal of the ceiling on *the exemption for gifts* or bequests to charities within one year of death;
4. Abolition of the special rule determining the domicile for capital transfer tax purposes of emigrants from the United Kingdom to the Channel Islands and the Isle of Man;
5. Clarification of rules governing the incidence of capital transfer tax where there are no discernable testamentary directions; and
6. Three changes relating to settled property.

Business and agriculture relief

For the purpose of charging capital transfer tax the value of a minority holding in an unquoted company is reduced by 20 per cent; the value of tenanted agricultural property *is likewise* reduced by 20 per cent. In each case this relief is to be increased to 30 per cent. The increased rate of relief will apply to transfers of qualifying property made on or after *Budget day.*

Payment by instalments

The capital transfer tax attributable to certain property *may be paid in eight annual or* 16 half-yearly instalments. The main categories are land, businesses and share holdings in unquoted trading companies and timber. The number of instalments in which tax may be paid is to be increased from eight to 10 and the facility to pay in half yearly instalments removed.

Charity Exemption

Transfers to a charity made within one year of death are exempt up to a total of £250,000. For transfers made on or after Budget day this limit is to be removed. As a result all outright gifts and bequests to charities will in future be exempt from CTT.

Domicile

A person who *is* domiciled in the United Kingdom is liable to capital transfer tax on the transfer of property wherever situated. If he is domiciled outside the United Kingdom he is liable only on transfers of property in the United Kingdom. *There are* special rules for determining a person's domicile for capital transfer tax purposes. In general a person is treated as being domiciled in the United Kingdom if he was *so domiciled within three years* of the transfer. As an exception a person who subsequently to being domiciled in the United Kingdom becomes domiciled in the Channel Islands *or the Isle of Man is treated* as being domiciled here without limit of time.

The Chancellor proposes, with effect from Budget Day to bring the treatment of those becoming domiciled in the Channel Islands or the Isle of Man into line with those becoming domiciled elsewhere abroad.

Incidence of tax on death

There are some cases in which the deceased has given no indication of how the burden of capital transfer tax is to be allocated among the items of property in the estate. The practice has been that in those circumstances the tax attributable to free personal property in the United Kingdom is treated as a general expense of the estate, but that attributable to land is borne by the land itself.

The Court of Session in Scotland held recently that the tax attributable to land should also be treated as a general expense. That decision has created uncertainty elsewhere in the United Kingdom. The Finance Bill will therefore contain provision to apply the rule as laid *down* for Scotland by the Court of Session to the rest of the United Kingdom.

Settled property

The Chancellor proposes to make three changes which relate to the new rules for discretionary trusts introduced by the Finance Act 1982. These are: 1—**Excluded property held in a special trust.**

Under the new discretionary trust rules tax is charged at a time based tapered flat rate *when property leaves a special trust* (eg a temporary charitable trust (eg a temporary charitable trust) unless the property goes to an exempted recipient (eg a charity or an employee). It is proposed that, with effect from March 8 1983, the period during which a special trust held excluded property (eg land outside the UK held in a settlement made by a person domiciled outside the UK) is to be disregarded in calculating the rate of tax.

2—**Property moving between settlement.**

Section 121 of the Finance Act 1982 provides that if property moves directly from one settlement to another it is treated as remaining comprised in the first settlement for the purposes of the new discretionary trust rules. *The Section* applies to movements of property between settlements after December 9 1981. It is proposed to provide with effect from Budget day that it will not apply in certain cases where a reversionary interest under a settlement was settled on discretionary trusts before December 10 1981.

3—**Collection of additional tax on chargeable events affecting settled property.**

The capital transfer tax code contains provision (paragraph 23, Schedule 4, Finance Act 1975) which empower the Board of Inland Revenue, subject to certain conditions, to adjust liabilities and collect additional tax, with interest, in cases where too little tax has been paid. The power does not extend to cases where tax already paid has been accepted in full satisfaction of the liability, and more than six years have elapsed from the date of payment; in the case of fraud, wilful default or neglect, the six-year period runs from the time the fraud etc became known to the board. These provisions as they stand are not wholly adequate for the new discretionary trust rules under which the rate of tax charged on a trust may be affected by transfers made by a settlor. It is therefore proposed with effect from April 1 1983 to make paragraph 23 cater additionally for the case where additional tax is due because of fraud, wilful default or neglect by the settlor of a discretionary trust.

Rates of Capital Transfer Tax

Death rate %	Life rate %	Range (£'000) to which tax rate applies: Pre-Budget Scale £'000	Indexed Scale £'000	Post-Budget Sale £'000
Nil	Nil	0— 55	0— 58	0— 60
30	15	55— 75	58— 80	60— 80
35	17½	75— 100	80— 106	80— 110
40	20	100— 130	106— 138	110— 140
45	22½	130— 165	138— 174	140— 175
50	25	165— 200	174— 211	175— 220
55	30	200— 250	211— 264	220— 270
60	35	250— 650	264— 686	270— 700
65	40	650—1,250	686—1,318	700—1,325
70	45	1,250—2,500	1,318—2,636	1,325—2,650
75	50	2,500 upwards	2,636 upwards	2,650 upwards

Effect of Proposed Changes

Death Rates

Size of Estate £	Pre-Budget Liability £	Liability if Indexed £	Reduction £	Reduction %	Post-Budget Liability £	Reduction* £	Reduction* %
100,000	14,750	13,600	1,150	7.8	13,000	600	4.4
150,000	35,750	33,900	1,850	5.2	33,000	900	2.7
250,000	87,500	84,650	2,850	3.3	83,250	1,400	1.7
500,000	237,500	233,950	3,550	1.5	232,250	1,700	0.7
1,000,000	555,000	549,650	5,350	1.0	547,250	2,400	0.4
2,500,000	1,592,500	1,583,750	8,750	0.5	1,581,000	2,750	0.2
5,000,000	3,467,500	3,451,950	15,550	0.4	3,448,500	3,450	0.1

Lifetime Rates

Size of Estate £	Pre-Budget Liability £	Liability if Indexed £	Reduction £	Reduction %	Post-Budget Liability £	Reduction* £	Reduction* %
100,000	7,375	6,800	575	7.8	6,500	300	4.4
150,000	17,875	16,950	925	5.2	16,500	450	2.7
250,000	45,000	43,300	1,700	3.8	42,375	925	2.1
500,000	132,500	130,100	2,400	1.8	128,875	1,225	0.9
1,000,000	325,000	320,800	4,200	1.3	318,875	1,925	0.6
2,500,000	987,500	979,900	7,600	0.8	977,625	2,275	0.2
5,000,000	2,237,500	2,223,100	14,400	0.6	2,220,125	2,975	0.1

* Over indexed reduction.

THE BUDGET: Analysis

CONSTRUCTION

Stock relief extended to trade-in homes

A MIXED bag of initiatives designed to provide the construction sector with another badly needed boost met with an equally mixed reaction from an industry which still reckons it has lost more than it has gained in recent budgets.

There were, however, some notable successes for the construction lobby, not least the decision to extend stock relief—until now allowed only on land, materials, work in progress and completed new homes—to properties accepted by builders in part exchange on the sale of a new house.

The "trade-in" deal has become an increasingly important weapon in the volume housebuilders' sales armoury and the extension of stock relief—at a cost to the government of £5m a year—will have a significant impact on the cost flow of some contractors. Last year, about 15,000 homes were taken in by builders in part exchange.

The construction "package" also paid considerable attention to the repair and improvement of the existing housing stock, outlining an extension to the higher rates of home improvement grants announced last year (until the end of 1983-84) and increasing the limits on expenditure eligible for grants by 20 per cent. The eligible expenses ceiling in London will now be £13,800 and £10,200 elsewhere.

The Chancellor also announced additional capital spending for any "enveloping" schemes in inner city areas suffering from the worst excesses of urban decay. Under these schemes, local authorities undertake to repair the external fabric of whole terraces or streets of run-down houses at no cost to the owner, in order to prevent further deterioration. Together with the increase in improvement grants, this measure will cost £60m in 1983-84.

Away from the housing sector, the Chancellor announced several other measures designed to stimulate construction activity. The proportion of office space in a building which qualifies for an industrial building allowance is being raised from 10 per cent to 25 per cent in a move which will cost £25m in a full year and which should provide an added incentive to the development of "high-tech" office-industrial space.

At the same time, the 100 per cent allowance for small industrial workshops is being extended to cover all industrial units in a converted building where the average size of the units does not exceed 1,250 sq ft. The Chancellor also said that the development land tax liability which has already been deferred on schemes started before April 1984 for a developers' own use is now to be extended to schemes started before April 1986. The measure will cost another £4m a year. The total cost of the Chancellor's construction measures will be £112m in 1983-84, while the tax changes will have a full-year cost of £100m.

The reaction to the Budget was generally one of muted approval, though Mr Malcolm Fordy, president of the National Federation of Building Trades Employers, reminded the Chancellor that construction industry output was running 15 per cent down on the level achieved when he took office and that over 250,000 jobs in the industry had been lost over the same period.

Other construction industry employers organisations said the Government had missed another chance to inject money into the sector in a way which would have most impact on employment. Most conceded that some help was better than none and Mr Owen Luder, president of the Royal Institute of British Architects, summed up most reactions by describing the package as "a gentle push in the right direction."

Michael Cassell

INDUSTRY

Surprise cut in job tax burden

THE CHANCELLOR won high marks from industry representatives yesterday for a Budget that was more helpful than expected, both in terms of stimulating some capital spending and cutting company tax burdens.

There was speculation in recent weeks that no further reduction in the National Insurance Surcharge—the hated tax on jobs—would be proposed in this Budget.

Last November the Chancellor announced a reduction in the NIS from 2½ per cent to 1½ per cent effective April 1 1983. This would remove £700m from private sector employers' overheads in 1983-84, and most observers suspected that was the last the Government would do in this area for a year at least.

But a further ½ per cent is to be cut effective August 1, taking another £215m off private employers' costs this year and £390m in a full year.

Moreover, the Chancellor gave the message that industry wanted to hear: "We are now well on the way to abolishing it."

Sir Terence Beckett, director-general of the Confederation of British Industry, was delighted that 70 per cent of this tax had gone in just over a year.

The other major fillip for industry in the Budget probably comes from the reduction in oil taxation which, it is said, will benefit oil companies to the tune of £115m in 1983-84 and £800m over four years.

The process plant industry depends on offshore oil equipment construction for about a third of its £2.5bn annual turnover and companies in the sector have been forecasting a very rapid decline in their oil related activity in the next year because of a shortage of orders. These new tax reductions should at least slow that decline.

Another welcome measure was the extension and expansion of the scheme to help small engineering businesses buy machine tools. The scheme, which was introduced a year ago, has been popular with engineering companies which need to modernise their plant to remain competitive with foreign makers of components and also with Britain's hard-pressed machine tool makers.

The many other proposals, from freeports to the incentives for small businesses and investment in high technology, show the Government's strong commitment to rebuilding the country's industrial base. But their impact will not be very important in strengthening the trend towards economic recovery in the short term.

Ian Rodger

JOB CREATION SCHEMES

Part-time route to jobs for the young

GREATER ENCOURAGEMENT for older people to work part-time and the unemployed to start their own businesses is contained in the Budget measures.

Sir Geoffrey Howe also told the Commons that existing special employment and training measures would next year bring direct help to almost 750,000 people.

The Budget speech contained proposals for four changes in existing arrangements.

● The Job Release Scheme, under which allowances are available for older people who retire early and thus create jobs for the younger unemployed, is to be developed to include part-time work. It will offer workers nearing retirement the opportunity of changing to part-time employment, with an unemployed person being recruited for the other half of the job.

Allowances—which are taxable—will be half the rates of the existing full-time Job Release Scheme. Married applicants who fulfil the scheme's conditions will receive £33.60 per week and others £27.30. The scheme will open for applications in August, and will start running in October. It is estimated that it will provide part-time job opportunities for up to 40,000 people by March, 1985, at a gross cost of £40m in 1984-1985.

● The Enterprise Allowance Scheme is also to be extended. Currently running as an experiment in five areas, this scheme provides taxable allowances of £40 per week for a year for unemployed people trying to start their own businesses. The aim of the measure is to compensate for the loss of unemployment or supplementary benefits, and it will be extended nationally from August.

By the end of February 3,590 applications had been received and 2,313 approved in the scheme's current five pilot areas—Medway, North-East Lancashire, Coventry, Deeside and North Ayrshire. The Government has set aside £50m during the next two years to cover the cost of the scheme, and this will make a further 25,000 places available nationally. But the longer-term future of the scheme will be reviewed before next March in the light of a full evaluation of its effectiveness.

● Pension rights: From April, 90,000 men aged 60-65 who currently have to register at unemployment benefit offices to protect their pension rights will no longer have to do so.

● Rates of benefit: Men over 60 who are registered as unemployed and on supplementary benefit will no longer have to wait a year — or until they reach 65 — before qualifying for a higher long-term rates of benefit. This will have the effect of treating such people as though they have already reached the retirement age.

Alan Pike

PENSIONS

Change in way of computing rises

PENSIONS AND other recipients of social security benefits will have to wait until June before they learn the extent of this year's increase in their benefits, which will come into effect in November. For the Government is putting the clock back in the method of computing the increase, throwing out the current forecasting of price movements and returning to a system based on historic or actual price movements.

The present legislation requires the Secretary of State for Social Services to review benefits at least once a year, taking into account movements in prices. This system of automatic reviews was introduced nearly a decade ago by a Labour Government to replace the previous system of ad hoc increases.

But it takes around five months for the Department of Health and Social Security to implement the benefit uprating, so it needs to know the size of the increase that far in advance. The Secretary of State cannot base his increase on inflation to the date of uprating. He has to use some other method, and until now the legislation has not specified how this is done.

For the past seven years, benefit increases have been announced by successive Chancellors in their Budget speeches based on the Treasury forecast of inflation over the 12-month period to the following November when the increases take effect. The Treasury record has not been good — two correct forecasts out of seven. Since the announcement is made seven or eight months ahead, this poor record is not surprising.

Nevertheless, it has led to a considerable amount of controversy. In 1981, the forecast was two percentage points too low and the Government was attacked for being mean to pensioners, even though it made good the shortfall at the next uprating. Last time the forecast overshot by 2.7 per cent and the Government was warned not to attempt to claw this back this time.

Sir Geoffrey is not only maintaining the 2.7 per cent but has now turned the clock back and reverted to the system of basing increases on historic or actual movement in prices. This was the method first used by the Labour Government until 1976 when, for political reasons it changed to a forecast basis.

The forthcoming increase will be based in the 12-month movement in the Retail Price Index to May—the latest month that can be used to ensure the uprating is completed by November. On the forecast 4¼ per cent increase in RPI, a single person's pension will rise by £1.39 a week to £34.16 and a married couple's pension by £2.23 to £54.78 a week.

However, basing the uprating on historic price movements is not without its drawbacks. Because of the long time-lag in making the increases, the rise when it comes will have been eroded by six months' further inflation—a serious matter if inflation rates are rising. And this time the Government, perhaps fortuitously, has picked the month when the inflation rate is expected to be at its lowest. Mr Hugh Faulkner, chairman of Help the Aged, has bitterly attacked the Chancellor on this point.

Eric Short

CHARITIES

Three measures to encourage philanthropy

THREE MEASURES to enhance the fiscal atractions of philanthropy were, said the Chancellor, in line with Government moves since 1980 to encourage voluntary groups to provide important social services.

He refused, however, to make any concessions on an issue which had been the focal point of many charities' requests—the imposition of VAT on purchases by charities.

Until the 1980 Budget donors to charities were granted only basic rate tax relief on their gifts if they were made under covenant. For the past three years even higher-rate taxpayers have been allowed to claim full tax relief for covenanted charitable gifts up to a maximum of £3,000 gross a year. The Chancellor has raised the limit to £5,000 gross, a 67 per cent increase, which compares with a 30 per cent rise in the retail price index since 1980. Once gifts exceed £5,000 only basic rate tax relief is obtainable.

The Chancellor has exempted all charitable gifts from capital transfer tax. The tax was imposed previously on gifts made at the time of death which exceeded £250,000.

Mr Michael Brophy, director of the Charities Aid Foundation, said: "Probably the main benefit of the budget is that it gives publicity to the tax exemption granted to gifts if these are made under covenent, and so few people realise how this should be done." The exemption from capital transfer tax, he thought, may encourage wealthy benefactors to set up large charitable foundations to perpetuate their names.

The third benefit to charities is that companies which second their staff on full pay to charities will be able to treat the salary cost to them as an allowable expense to reduce liability to corporation tax. National Westminster Bank, which operates several secondment schemes, said the bank would consider an increase in its involvement in such schemes in response to the Chancellor's concession.

Several companies are believed to be using such schemes as a way of encouraging employees to retire early.

For the third successive year pressure from charities for exemption from paying VAT on their purchases was rebuffed. The Chancellor said that he considered such a reform would be expensive to administer and would be "indiscriminate" in its effects.

Sir Geoffrey stated that he did not wish to give such benefits to "bodies with very limited or controversial aims which do not command public support." This was interpreted as a side-swipe at the Moonies, whose charitable status the Government has been pressing the Charity Commissioners to remove.

Mr Tim Yeo, director of the Spastics Society which is likely to pay more than £500,000 in VAT in 1983-84, criticised the "irrationality" of the decision. He pointed out that local authorities can recover VAT for similar expenditure for often similar purposes. Hospitals can do likewise if they contract out some of their services.

Clive Wolman

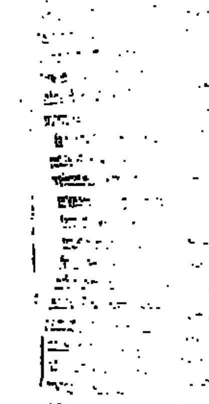
TOBACCO AND DRINK

Duty increases likely to speed up fall in sales

CONSUMPTION of beer, wines, spirits and cigarettes are all likely to fall further this year as a result of the duty increases in the Budget.

This was the main message from the drinks and tobacco industries last night. They now privately seem resigned to annual increases in line with inflation although publicly they are still incensed at any sort of increases which will hit an already depressed trade.

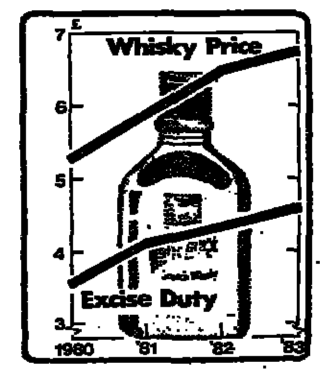
"A catch-penny clawback" was the verdict of the Wine and Spirit Association, while the Brewers' Society was "sad but not surprised."



The effect of the extra 3p a packet duty on cigarettes will probably mean a 3 per cent drop in sales when new rates take effect in the shops, since last year's 5p increase led to a 5 per cent slump. This will be in addition to the 7 per cent decline in cigarette sales last year and the 15 per cent fall since just before the 1981 Budget when the last increases in tobacco duty were imposed.

In theory the extra duty will push the price of 20 king size cigarettes up to about £1.10p per packet, but in practice many retailers will still sell at up to 10p off to attract sales.

The extra spending power generated by the Budget should help cigar sales in spite of the 2p extra per packet of five since demand for cigars generally responds more readily to higher disposable income.



Pipe smokers have come off best since the duty on pipe tobacco was not increased.

Competition among brewers and publicans should also help offset the 1p a pint duty increase for drinkers, although it will put increased pressure on the beer trade's profitability. Watney's has already decided to freeze prices of its Antler bitter available in 300 London pubs.

Cider manufacturers were generally relieved at the 1p a pint increase since there had been fears that the rate of duty for cider would be increased substantially to bring it in line with that for beer.

The spirits trade, which overall experienced a 5.5 per cent fall in consumption last year, was most worried by the 25p a bottle increase which it felt "placed a needless burden on a trade struggling with the decline in the value of sterling which is already pushing prices up." An average bottle of scotch will now cost about £6.75, of which some 80 per cent is accounted for by tax.

David Churchill

VEHICLE AND FUEL TAX

A blow for heavy truck operators

THE CHANCELLOR has hammered the heavy truck operators for the second successive year because he is determined that all types of commercial vehicles should pay their fair share of road costs.

Excise duty on 30-tonne to 32-tonne trucks, which jumped by 25 per cent last year, will go up a further 26 per cent to £2,290 a year as a result of yesterday's Budget.

The excise duty on 37-38 tonne trucks which will be allowed on British roads for the first time in May has been set at a level designed to cover their road costs from the outset. The rates — either £2,590 or £2,940 depending on the configuration of the tractor and trailer — drew immediate criticism from DAF Trucks last night.

"The whole point of introducing 38-tonne trucks was economy for the individual operator and to reduce road wear. But setting the tax at such an exhorbitant level, the Government will force many operators to think again about running at the higher weights," said Mr Christopher Thorneycroft-Smith, DAF's marketing director.

The Road Haulage Association, which also mainly represents hauliers using heavy trucks, last night called for an independent assessment of road costs.

"We have never agreed that the formula used by the Department of Transport produces a fair result," an association official said.

The Freight Transport Association suggested the latest rise in excise duty should put paid once and for all to any doubts about heavy trucks not paying their way.

And the FTA welcomed the fact that the Chancellor had "recognised that many vehicles have been overpaying and should have their tax burden reduced." This would help compensate for the steep rise in heavy vehicle duty.

The Chancellor estimated there would be 315,000 lighter commercial vehicles affected by a 10 per cent reduction in excise duty while about 190,000 heavier vehicles would be hit by rises between 5 and 26 per cent.

FTA estimates suggest the overall impact will mean that the Treasury's take from road freight transport will rise from £980m to £1bn a year.

The association said the new duty levels would make the duty 6½ per cent less per tonne for a 38-tonne truck than for a 32-tonner. However, it said the time had come for the Department of Transport to implement proposals which would allow for less duty to be paid on a heavy truck which for some reason was always used at well below its maximum operating weight—"downlicensing" in the hauliers' jargon.

Hauliers reckon the 3p a gallon increase in diesel duty will add ½ per cent to their annual running costs.

● The shell-shocked retail petrol industry reacted with mild relief to the Chancellor's decision to raise the price of a gallon of petrol by just 4p.

The intense price war over market share between the big oil companies—Shell, Esso and BP—has very nearly meant that the only price rises which have stuck in the past 15 months have been those made by the Chancellor.

The industry is believed to be losing between £60m and £70m a month as a direct result of the keen competition on prices.

The Chancellor's 4p increase—3.5p in excise tax and 0.5p VAT—will push the price of a gallon of petrol from around 167p to 171p. Companies believe prices at the pump now need to be around 185p in order for them to earn an adequate return on their investment.

The increase will be passed on to the consumer and is expected to cost the motorist about £12 more a year, assuming he or she drives 9,000 miles a year at 30 miles per gallon.

BUDGET GOODING 9

Mobil, a smaller player in the UK retail petrol market, said yesterday the industry "had only itself to blame" for the petrol price war. "We have handed the Chancellor the 4p we desperately need on a plate."

Mr Ron Hughes, Mobil's marketing director, said yesterday's increase "could have been a lot worse." The increase had to be passed on to the motorist in full, because of "the total lack of profitability in the sector," he added.

Britain's consumption of petrol went up by around 3.5 per cent last year to more than 5.4bn gallons. The trend is expected to continue this year, which indicates the Chancellor's increase should provide around £215m to the Exchequer in the full year.

Kenneth Gooding
Carla Rapoport

Married couple with two children net income

Income	1982-83 (post-November 1982) Income tax	NIC	Child benefit	Net income	Adjusted* income	1983-84 (post-November 1983) Income tax	NIC	Child benefit	Net income	Percentage change in income after child benefit, tax and NIC
£	£	£	£	£	£	£	£	£	£	%
50.00	0.89	4.37	11.70	56.44	53.25	0.00	4.79	13.00	61.64	8.9
60.00	3.89	5.25	11.70	62.56	63.90	3.04	5.75	13.00	68.11	8.9
80.00	9.89	7.00	11.70	74.81	85.20	9.43	7.67	13.00	81.10	8.4
100.00	15.89	8.75	11.70	87.06	106.50	15.82	9.58	13.00	94.10	8.1
120.00	21.89	10.50	11.70	99.31	127.80	22.21	11.50	13.00	107.09	7.8
140.00	27.89	12.25	11.70	111.56	149.10	28.60	13.42	13.00	120.08	7.6
160.00	33.89	14.00	11.70	123.81	170.40	34.99	15.34	13.00	133.07	7.5
180.00	39.89	15.75	11.70	136.06	191.70	41.38	17.25	13.00	146.07	7.4
200.00	45.89	17.50	11.70	148.31	213.00	47.77	19.17	13.00	159.06	7.2
220.00	51.89	19.25	11.70	160.56	234.30	54.16	21.09	13.00	172.05	7.2
240.00	57.89	19.25	11.70	174.56	255.60	60.55	21.15	13.00	186.90	7.1
300.00	76.57	19.25	11.70	215.88	319.50	79.72	21.15	13.00	265.08	8.1
350.00	97.21	19.25	11.70	245.24	372.75	99.52	21.15	13.00	265.08	8.1

(1) The adjusted incomes shown for November 1983 are for illustration. They have been obtained by increasing the corresponding incomes in November 1982 by 6.5 per cent.
Employees' National Insurance Contributions are at the Class I standard rate for employment not contracted out of the State addilonal (earnings related(pension sceme.
Calculations assume that only the husband has earned income.

FREE PORTS

Three new areas to be set up this year

THE CHANCELLOR has given the go-ahead for the establishment of Britain's first freeports.

Two or three freeports—small secured areas, treated as being outside the customs frontiers of the host country, where goods can be temporarily stored, manufactured or processed free of customs duty—are expected to be named later this year.

Legislation is to be included in the Finance Act "to enable selected freeports to be designated . . . on an experimental basis in a limited number of locations."

There are estimated to be nearly 400 designated freeports or free trade zones in 78 countries. Customs duty and other taxes only become payable when goods leave such zones.

However, the benefits to UK companies will be limited.

A working party set up by Sir Geoffrey Howe to investigate the possibility of establishing freeports in Britain was "unable to identify any tariff advantages which could be made available, within the rules of the EEC, which are not already available to firms in the UK handling warehousing or processing imported goods destined for export to third countries or for release into free circulation."

For example British manufacturers would not be given the option—allowed in some U.S. free trade zones—of deciding whether to pay duty on the components or on the finished manufactured product.

The working party said the principal advantages for companies would be improved cash flows, since duty need not be paid on goods until they left the zone ready for delivery to customers; simplified customs procedures; greater flexibility in handling goods to subject to import quotas; and lower insurance costs because operations would be in a secure area.

Andrew Taylor

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THE BUDGET: Analysis

NORTH SEA REVENUE

Oil industry gets shot in arm

THE North Sea oil industry—battered by pricing uncertainty—has been given a shot in the arm with the Chancellor's proposals for significant tax changes.

Measures which were swiftly welcomed by exploration companies will provide tax relief totalling more than £800m over the next four years. This represents about 2.5 per cent of the Government's expected North Sea revenue over the next four fiscal years. Companies with fields already in production, especially those exploited in the more recent years, should receive cash flow benefits totalling £115m in 1983-84.

These benefits will arise from two changes in the structure of Petroleum Revenue Tax (PRT). Following pressure from the offshore industry, the Government is to phase out advance payments on PRT. Advance Petroleum Revenue Tax (APRT) will be abolished by the end of 1986.

Secondly, the Government is introducing immediate PRT relief for the cost of exploration and appraisal drilling. This was another measure sought by the UK Offshore Operators Association on behalf of North Sea oil companies.

However, it will be the developers of new, as yet unexploited fields, who will receive most benefit from the Budget. For them royalties, currently based on 12.5 per cent of the gross value of production, is being scrapped altogether. They will also receive extra allowances against PRT.

As a result the average rate of taxation on those fields waiting to be developed is expected to fall from over 70 per cent of net income to nearer 60 per cent. This compares with tax payments up to almost 90 per cent on the most profitable fields currently in production.

The tax structure for new fields will also be simpler. Companies will pay only PRT and Corporation Tax. Companies will not be taxed until costs have been recovered. Even then they will then pay PRT only when the field's annual production exceeds 1m tonnes a year (20,000 barrels a day).

There was a widespread feeling in the oil industry last night that the measures would stimulate the exploitation of some of the dozens of small and medium-sized discoveries regarded up to now as being only "marginally profitable" prospects.

The process plant industry has ben among those lobbying the Chancellor for tax changes to improve the economics of these undeveloped fields. Industry leaders have pointed out that for every additional £500m spent on North Sea development, some £5,000 to 30,000 jobs a year could be created.

Oil companies pointed out that taxation was only one of the factors inhibiting the exploitation of marginal fields. They were also concerned about falling oil prices and risks associated with new low-cost technology. But, on the whole, they agreed with Shell UK that the Government had acted in "such a positive way to stimulate new development."

The Energy Department expects a swift response from the oil industry. The development of at least three new prospects—Sun Oil's Balmoral Field, Marathon's North Brae and British Petroleum's South East Forties—is expected to be sanctioned in the near future.

This is in addition to the most recent development decisions: Britoil's Clyde Field and Total's North Alwyn discovery. Under the proposals announced by the Chancellor yesterday, both of these fields will be eligible for the tax structure which will apply to new developments.

Mr George Williams, director-general of the UK Offshore Operators Association, pointed out that Clyde and North Alwyn were the only two new developments to come forward in the past two years. "That was a sure indication things were not going well; that we needed changes in taxation." Mr Williams said that if the UK was to remain self-sufficient in oil into the 1990s and beyond, the industry needed to go ahead with the development of a small field of 80m barrels recoverable reserves once every 50 days.

The Budget proposals, he said, were a "positive step in the right direction." Mr Williams went on: "We are encouraged that the measures should help to restore drilling activity and the development of new fields."

Mr Hamish Gray, Minister of State for Energy, said he was "delighted" that the Chancellor had recognised the necessity to make "positive tax changes needed to encourage the future development of the North Sea."

By encouraging further investment in offshore development, the Government is ensuring itself continuing oil revenues. Latest Treasury projections indicate that revenues in 1982-83 will be £8bn—over £1.5bn more than was expected at this time last year and some £750m more than was expected in the autumn. The income has been boosted by higher-than-expected oil prices and a drop in the value of sterling against the dollar. Consequently, the sterling price of North Sea oil was considerably higher than was forecast in March 1982. UK oil production in 1982—at 103m tonnes (almost 2.1m barrels a day)—was also greater than expected.

Oil and gas revenues, projected by the Treasury, are expected to remain at about £8bn a year in 1983-84 and rise to £9.5bn in 1985-86.

Stockbrokers Scott Goff Hancock and Hoare Govett said last night that the Government appeared to be cautious in its estimating. Scott, Goff, Hancock forecast revenues of £9.5bn in 1983-84; £10.4bn in 1984-85 and £11.5bn in 1985-86. Hoare Govett projected revenues of £9.6bn in this calendar year; £10.5bn in 1984 and 1985; and £11.2bn in 1986.

Ray Dafter

Inflation strategy continued

THE CHANCELLOR'S overall position is still that control of the money supply is a central plank in the strategy of continued reductions in the inflation rate which in turn is seen as the foundation for growth in the real economy. For the current year that still means a target for monetary expansion of between 7 and 11 per cent as indicated in last year's financial statement.

In the past year, with a target range of 8 to 12 per cent, developments were broadly as intended. Sterling M3—which formerly was to be the sole target of monetary policy—grew by 10 per cent in the year, rather more rapidly in later months. Bank lending followed a similar profile, largely due to changes in the pattern of corporate borrowing as personal borrowing remained high throughout. The broadest measure of private sector liquidity, PSL2, grew by less than £M3—9 per cent over the year to February.

The Chancellor states that policy will be aimed at maintaining monetary conditions which will keep inflation on a downward trend. Thus he presents illustrative targets for next year and the year after which continue to allow for lower rates of growth — 6 to 10 per cent in 1984-85 and 5 to 9 per cent in the year to February 1986.

However, the interpretation of monetary conditions is to remain sensitive to "all the available evidence." This includes changes in the exchange rate, saving behaviour, the level and structure of interest rates, and structural changes in financial markets.

In his appraisal of the past year the Chancellor includes among these factors the rate of inflation. Recent growth in real money balances largely, he says, reflects the fall in inflation.

Taking previous years together, Sir Geoffrey concedes that the significance of the monetary aggregates — relative to inflation, presumably — was affected by structural changes to the financial system. However, as inflation fell rapidly in spite of overruns in the monetary targets, it became possible to set less stringent targets while still maintaining "a reasonably restrictive stance." This seems to amount to an admission that while monetary aggregates targets will be maintained, it does not matter too much if they are missed as long as inflation appears to be still under control.

Jeremy Stone

CORPORATE BONDS

Significant developments in corporate bond market

TWO SIGNIFICANT developments in the new issue market for corporate bonds are made possible by the Chancellor's Budget proposals.

The way is opened for companies to make so-called "shelf" issues of bonds, whereby conventional loan stocks are created by companies and then fed out into the market as conditions allow. And clear rules are being spelt out for the tax treatment of deep discounted bonds.

These have been popular in some overseas capital markets, and are issued at a substantial discount to their ultimate redemption value, in recognition of the very low (or zero) interest paid.

Until now, companies have not been permitted to issue bonds at a discount of more than 5 per cent to their nominal, or redemption value, without incurring tax penalties. This has made it impracticable to make issues on a "shelf" basis because of the danger posed by market fluctuations.

For example, for a 10 per cent bond created at 100, it would only require interest rates to fall slightly for the issue price to rise above the critical par value, making it relatively unattractive in tax terms.

Now, however, the discount may be ½ per cent a year, so that a 20-year bond may be issued as low as 90, and the limiting case is a bond with a life of 30 years or more, which can be issued at 85.

For conventional high coupon bonds issued within these limits, the discount will be treated as capital, and will be subject to capital gains tax in the hands of the lender. It will not be allowable against profit for the borrower, but the new system will permit greater flexibility in the pricing of the stock at the time of issue to the public.

Deep discounted bonds are normally sold at much more than a 15 per cent discount, but the only British examples so far have been various low coupon issues by the Government, made possible because special capital gains tax rules apply to gilt-edged stocks.

In opening the way for the issue of such bonds by private sector borrowers the Inland Revenue has insisted in several discussion papers that tax "symmetry" must be preserved — that is, that gains must be treated as income or capital on an entirely comparable basis for both lender and borrower.

This principle of symmetry is largely preserved in the proposals. Any question of an artificial tax incentive for the issue of deep discounted bonds is therefore ruled out, and their appeal will consequently be only on a relatively restricted sale. However, the way has at least been cleared for the market to be tested, and one or two experimental issues are expected to be announced in the near future.

Thomas.

The rules lay down that the discount will be treated as income. Borrowing companies will gain tax relief against profits, spread year by year over the life of the bonds on a compound yield basis. Investors will also be liable to income tax, but only when they sell the stock, or it matures.

For borrowers, the appeal will be in the cash flow characteristics of deep discounted bonds, so that outgoings can be deferred until, for example, an investment project becomes cash generating. Investors may find such bonds attractive for requirements such as personal pension plans — but they will need to be sure they will not be in a high income tax bracket when the bond matures.

Barry Riley

TAX HAVENS

Some measures are clarified but uncertainties remain

ADAM SMITH laid it down that one of the characteristics of good taxation should be certainty. But since January 1981 there has been no certainty about the Government's plans for the taxation of international business.

After the initial publication of their proposed measures in November 1981 opposition was so strong that the Chancellor was forced to announce last year that the proposals were being reconsidered. In December 1982 the revised proposals appeared, and so did some cryptic comments about "specific measures" on companies' transferring their residence and "fresh proposals" on upstream loans.

In yesterday's Budget the Chancellor confirmed that he would indeed be introducing the "tax haven" proposals, but that measures on company residence and upstream loans have been deferred.

So from 6 April 1984, a charge to Corporation Tax may be levied on UK resident companies which have at least a 10 per cent interest in a foreign company if certain conditions are met. These conditions are broadly that the foreign company must be under UK control and resident in a "low tax" country.

A provisional list of countries which are not regarded as having "low tax" regimes has been published.

This contains few surprises. Most of the developed industrialised Western countries are included, such as France, West Germany, Italy, Denmark, the Scandinavian countries, Japan and the U.S. More interestingly, there are a large number of other countries also included such as Saudi Arabia, Iran, Iraq, the Eastern bloc and most African countries.

But as might have been expected, the special holding companies in Luxembourg and the Netherlands are excluded, as also is a company taking advantage of the Irish Government's Shannon Airport exemptions. Singapore Insurance companies are also excluded. And it remains to be seen how aggressively the Inland Revenue will attempt to implement these proposals.

At the very least, we must expect attacks on the categories of company singled out as being regarded as abusing the present law: money boxes, dividend traps, captive insurance companies, invoicing companies and patent holding companies.

The Inland Revenue has retained its discretion to invoke the "tax haven" provisions although the Chancellor did foreshadow some amendments to the draft legislation previously issued.

As a quid pro quo to companies with profitable overseas subsidiaries who do remit dividends back to the parent company and suffer Corporation Tax on the dividend, the Chancellor has proposed a relaxation of the Corporation Tax rules governing the interaction of Advance Corporation Tax (ACT) and Double Taxation Relief (DTR).

Hitherto it has been necessary to offset ACT in priority to DTR and since DTR cannot be carried forward or back or surrendered to a subsidiary much relief has been lost.

It is now proposed that DTR will be offset in priority to ACT and that any resulting surplus ACT may be offset under the normal rules for relieving ACT. These in turn have been extended so that surplus ACT will progressively be eligible to bec arried back up to six years, forward indefinitely and may be surrendered to any subsidiary company.

The ending of the long period of uncertainty on the question of the tax haven change must also be welcomed. Much less popular is the continued Sword of Damocles of threatened action on residence and upstream loans. It really is time either for action to be taken or for the Government to decide not to move.

John Underhill

	PRT RELIEFS 1983/84	Average to 1986/87
APRT phase out	50	165
Appraisal relief	40	45
PRT expenditure relief on shared assets and taxation of related receipts	15*	yield of 5*
Minor provisions	10	—

*These figures take no account of the additional, unquantifiable benefits.

Rates and bands	Income bands for 1982/83 £	Proposed for 1983/84 £
Basic rate band of income charged at 30 per cent	1-12,800	1-14,600
Higher rate band of income charged at 40 per cent	12,801-15,100	14,601-17,200
45 " "	15,101-19,100	17,201-21,800
50 " "	19,101-25,300	21,801-28,900
55 " "	25,301-31,500	28,901-36,000
60 " "	Over 31,500	Over 36,000
Investment Income Surcharge	0-6,250 Nil; Over 6,250 15%	0-7,100 Nil; Over 7,100 15%

Thresholds updated in line with price rises

THE CGT and CTT changes of most widespread applicability are the implementation of the statutory provisions introduced last year for up-rating thresholds and (in the case of CTT) bands, in line with the retail price index. The Chancellor could have over-ridden this provision—as he did with income tax in 1981. He did not do so. Rather, the up-rating has been somewhat more than specified in the legislation.

The annual exempt amounts for CGT rises from £5,000 to £5,300, an increase of 6 per cent with a corresponding increase from £2,500 to £2,650 for trusts.

On CTT the up-ratings have been larger still. The increase in the general index of retail prices in the period specified by the legislation was 5.4 per cent (between December 1981 and December 1982). The legislation also provided that the increase would be rounded up to the nearest £1,000. Thus the threshold or nil rate band should have risen from £55,000 to £58,000. In fact, the Chancellor has raised it to £60,000, an increase of just over 9 per cent. Similar increases apply throughout the scale. Thus, the 1982-83 band of £100,000-£130,000 would, on the strict appreciation of the indexation, have risen to £106,000-£138,000; in fact it is raised to £110,000-£140,000. On the basis of the indexed liability for transfers at death, the saving in tax compared with pre-budget liability on an estate of £100,000 would have been £1,150; on the post budget liability it is a further £600. On life-time transfers, the corresponding figures are £575 to £300.

Beyond changes in thresholds and bands, both CGT and CTT are subject to a large number of changes, mainly bringing a tax easement or involving detailed administrative tidying up.

On CGT the retirement relief, which provides an exemption of gains in the disposal of a business or shares in a family trading company, is doubled, from £50,000 to £100,000. The full relief is available if the person disposing of the business is over 65, with a sliding scale between 65 and 60.

The CGT relief, introduced in 1980, for those who let part of their house, is also doubled. As from April 6, 1983, the relief on the gain made on the part of the house which is let is raised to £20,000.

A similar increase of from £10,000 to £20,000 is granted where a small part of a holding of land is disposed of. This relief removes the need for a valuation of the whole holding. The sale proceeds are deducted from the original cost of the holding, thus deferring any charge on the sale proceeds until the entire holding is disposed of.

Of the new CTT provisions the most significant easements relate to business and agriculture. Currently, for purposes of CTT, the value of a minority holding in an unquoted company is reduced by 20 per cent; this figure is to be increased to 30 per cent. Similarly, the value of tenanted agricultural property benefits from a reduction from 20 to 30 per cent from Budget Day.

Payment of CTT by instalments, which applies to certain categories of property, mainly land, businesses and shareholdings in unquoted trading companies and timber, can henceforward be made over 10 instead of eight years, but it must be paid in annual and not half-yearly instalments.

Charities may also benefit from the CTT provisions. Pre-budget transfers to a charity made within one year of death were exempt up to a total of £250,000. Henceforward all outright gifts and bequests will be exempt from CTT.

The most surprising change in CTT provisions appears to invite a mass exodus of elderly millionaires to the Isle of Man or the Channel Islands and a flood of overseas investment. A person who is domiciled in the UK is liable to CTT on the transfer of property wherever situated. If he is domiciled outside the UK, he is only liable to transfers of property in the UK.

A person is generally treated as domiciled in the UK if he was so domiciled within three years of a capital transfer. A person who changes domicile from the UK to the Channel Isles or the Isle of Man has been deemed to be domiciled in the UK without any time limit. Henceforward the Channel Isles and the Isle of Man will be treated as any other country.

In this Budget, Sir Geoffrey Howe continues the process as in all his previous budgets of "drawing the teeth" of CTT. He has been an effective dentist.

Small companies benefit as burden is reduced

SEVERAL amendments to the corporation tax rules were announced by the Chancellor, the most important of which is the reduction of the small companies' rate from 40 per cent to 38 per cent and the extension of the limits to which this lower rate applies—the lower limit to £100,000 and the upper limit to £500,000.

It is not the size of the company which determines the tax rate but the size of its taxable profits, so a substantial claim to capital allowances or stock relief may be sufficient to bring a company within the lower rate.

Combined with the extension of the period over which surplus advance corporation tax may be carried back to a maximum of six years, these represent an effective reduction in corporation tax burden.

Other detailed proposals relating to corporation tax were:

● to allow double taxation relief to be offset against corporation tax in priority to advance corporation tax;

● to allow buildings to qualify for industrial building allowances where 25 per cent, rather than 10 per cent, is non industrial;

● to allow companies to deduct the discount on bills of exchange accepted by UK banks (known as acceptance credits);

● to allow relief for the incidental costs of raising such finance;

● to introduce an advantageous treatment for so-called deep discount bonds. The borrower obtains a tax deduction on the accrued discount whereas the investor is not taxed until the bond is redeemed or disposed of;

● to permit companies to pay interest without deduction of tax on Eurobonds which are quoted in the UK or abroad where the interest is paid through an overseas paying agent;

● to extend the 100 per cent first year allowance on British-made films until March 31 1987;

● to extend the 100 per cent first year allowance on rented teletext television sets for one year;

● to extend stock relief to certain houses taken in part exchange by housebuilders.

cetaoin shrdlu cmfwyp vbg vk

The Chancellor made much of what he described as industry's desire for a stable corporate tax system and implied that notwithstanding the Green Paper on the fundamental reform of the system, he would not propose any changes.

Equally, there was much less emphasis this year on fiscal justice. But consultations are to start on the abuse of group relief and consortium relief provisions, and the Inland Revenue will be looking at the whole question of the tax treatment of groups.

Finally, and no doubt to their relief, no tightening of the tax regime is proposed this year for the banks.

John Underhill

COMPANY SHARE BUYING

Boost for schemes encouraging employee profit-sharing

SCHEMES which enable employees to buy shares in the companies for which they work have received a boost in the Budget. In particular the Government has broadened the appeal of employee profit-sharing schemes so these will be attractive to senior managers.

Management consultants who advise companies on these schemes said many businesses were slow to introduce them because the benefits were perceived to be relatively small.

The Chancellor's decision to quadruple the value of tax-free shares a company can give its employees each year, subject to a maximum of 10 per cent of the employee's earnings, from £1,250 to £5,000, should increase the popularity of this incentive.

At the end of January there were about 330 employee profit-sharing schemes in operation. About five new schemes were being introduced each month.

Companies can set aside up to 5 per cent of their profits for the purchase of shares by a trustee on behalf of its employees, who usually receive the shares free. Companies get corporation tax relief on the cost of these shares.

In terms of the tax position for employees, this type of scheme is the most attractive for long-term investors. Although individuals cannot sell the shares for at least two years, there is no tax to be paid if the holding is disposed after seven years. A sale in the intervening period is subject to tax at a declining rate.

In the case of share option schemes, the Chancellor has recognised that the prospect of a hefty tax bill may be a disincentive for senior managers wishing to participate. Under these schemes managers have the option to purchase shares at a given price, usually within a stated period.

When the shares are sold the managers [illegible] -sal, and in a second move to make share [illegible] more attractive for the upper echelons of management, the Chancellor has introduced arrangements allowing the tax bill to be spread over five years instead of three.

Some industrialists feel the Government should have gone further and abolished the income tax liability on these shares. But management consultants working in this area suggest such a move would be unlikely to survive a change in government, and that yesterday's concessions will enable them to plan for the future.

The Government has also given a fillip to those share option schemes linked to save as you earn contracts.

Roughly 100,000 employees at 200 companies have taken advantage of these schemes, which have been operating for just over two years.

Employees get the right to buy shares at a predetermined price from the proceeds of either a Government or building society savings scheme. The price of the shares is fixed at the outset of the savings contract. It is set by the current market price of the shares and a discount of up to 10 per cent being allowed.

In terms of tax this scheme is quite attractive. No income tax is paid at the time the shares are purchased and capital gains tax is the only liability when the shares are ultimately sold.

The Government's decision to increase the monthly limit on contributions with tax relief from £50 to £75 should encourage these savings linked share schemes further. Even before the Budget there were signs that this type of scheme was becoming increasingly popular.

The Government has estimated that the cost of these three share incentive measures will be £20m in 1983-84 and £35m in a full year.

Rosemary Burr

UNFINISHED BUSINESS

Treasury bed of nails that may be Sir Geoffrey's last

YESTERDAY'S Budget is expected to be Sir Geoffrey Howe's last. Another full budget in this parliament is most unlikely, and, even if the Tories are returned at the next general election, the odds are heavily against Sir Geoffrey being asked to lie on the Treasury bed of nails for a second time.

It is perhaps surprising then, that he said little on the Government's response to the Corporation Tax Green Paper published in January last year, and nothing at all on the Green Papers on Alternatives to Domestic Rates of December 1981, nor on the Taxation of Husband and Wife which dates back to December 1980.

Sir Geoffrey justified his negative response to the main issues of the Corporation Tax Green Paper on two grounds. Stability was the main message received in response to the Green Paper: "Change is not costless," and industry and the professions have had enough change in company taxation, he said. Secondly, he was able, with some justice, to claim he was still awaiting the outcome of the accountants' deliberations in inflation accounting.

His reticence on Alternatives to Domestic Rates is understandable. The promise of the Conservatives to abolish domestic rates goes back to the 1974 election and was made publicly by Mrs Thatcher before she became leader of the Party. It was a rash commitment doubtless intended to be vote catching and made by the Party with no clear idea of what might replace rates.

Debate since 1974 has brought lem little nearer the answer. Of the three possible alternatives taxes to which the search had been narrowed—a local sales tax, a poll tax and a local income tax—none looked very attractive to the Conservatives.

The most practicable of the tax options, the local income tax which had been recommended by the Layfield Committee, hardly enthused a Conservative administration seeking to exercise a tighter control over local spending. In any case, the Green Paper tells us a scheme which integrated a local income tax with national income tax could not be introduced until the early 1990s because of the Inland Revenue programme for computerising PAYE.

Doubtless Sir Geoffrey wishes the matter had never been raised and would now go away. Like the Conservatives promise to abolish Capital Transfer Tax, made in the heat of the 1974-75 debates, it is likely ultimately to be whittled down to a "teeth drawing" exercise.

The problem of changing the income tax unit, the issue of the Husband and Wife Green Paper, is hardly less intractable than that of domestic rates. The basic problem is how to reconcile two widely-accepted but conflicting principles: equal treatment of individuals irrespective of sex and marital status on the one hand, and on the other, the recognition that the overall financial circumstances of a household are relevant to their ability to pay tax.

Just as the Green Paper on Alternatives to Domestic Rates owes much to one important lady in Sir Geoffrey's life, so that on the Taxation of Husband and Wife owes much to another — Lady Howe, prominent in seeking equal opportunities for women. At least we might have expected Sir Geoffrey, over two years after the publication of the Green Paper, to have said something about it, if only to have offered some mild comfort to those seeking sexual equality by providing that, as an interim measure, husband and wife should be responsible for their joint tax return. Sir Geoffrey Howe may go away but this issue is unlikely to do so.

Other items of unfinished business relate to the special taxation of bank profits, which Sir Geoffrey has left over this year, and to the question of tax concessions for contractual saving, such as through insurance premiums, which he raised last year but has taken no further.

Think boldly, act cautiously, would appear to be his motto — strengthened by the experience of his first budget when boldly switching from income tax to VAT played havoc with his anti-inflation strategy.

Cedric Sandford

Central government transactions

£bn	1982-83 Budget forecast	1982-83 Latest estimate	1983-84 Forecast
Taxes	77.0	78.1	81.5
National insurance contributions, etc.	19.5	18.6	21.2
Other	9.1	9.3	9.4
Total	105.7	106.0	112.1
Expenditure			
Current expenditure on goods and services	36.2	35.8	39.5
Capital consumption	0.8	0.8	0.8
Interest	11.4	11.4	11.8
Subsidies	4.2	4.5	4.3
Grants	55.3	57.1	61.0
Net lending and capital expenditure	5.4	7.7	7.4
Unallocated(†)	1.7	—	−1.3
Total	115.0	117.2	123.6
Central Government Borrowing Requirement			
of which:			
for on lending to local authorities and public corporations	2.2	5.1	4.2
Own account	5.4	6.2	8.5
Unallocated(†)	1.7	—	−1.3

(†)Includes unallocated Contingency Reserve, special sales of assets and general allowance for shortfall.

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Not as boring as it seems

A SHORT TIME ago, we stated the case for a boring budget this year: the economy has enjoyed a stimulus from the correction in the exchange rate, the future price of oil remains unknown, and there may be a need to alter course later. In presenting a budget which offers a fiscal adjustment of £1½bn, less than any but the most modest expectations, and which contains no radical measures, the Chancellor seems to have delivered exactly what we half-seriously suggested; but things are not always what they seem. There is a significant concealed reflation here, but a rather unimaginative one.

Only Sir Geoffrey Howe, of all recent Chancellors, would choose to present what was clearly intended as a possible pre-election budget in deceptively modest terms, but that is what has been done in this case. The sleight of hand, as we pointed out when the White Paper on public spending was published, is concealed in the contingency reserve. This was sharply cut, so that a rise of more than £1bn in spending programmes could be presented as a fall in spending.

Fingers crossed

Now a further £400m—including cash allocated to British Leyland—has been charged to this diminished reserve. The result is that the uncommitted revenue expected by the Treasury has fallen from £4½bn last year to £1.1bn in 1983-84. Last year's projected borrowing of £9½bn was deliberately over-generous; this year's projection of £8bn is a matter of keeping one's fingers crossed. This is a rather wishful kind of rectitude.

This does not mean that we expect borrowing this year to explode. This year, unlike last year, there are good reasons to hope that the Treasury's growth forecast of 2½ per cent will be fulfilled or exceeded; the stimulus from the fall in sterling would probably ensure that, without the extra stimulus provided by the Budget. This should ensure that revenues are reasonably buoyant, so that it will not require a fortuitous jump in oil revenues, such as happened last year, to produce a favourable outcome. That is what is to be expected when a stimulus is applied to an economy which is already on the move. In cyclically corrected terms, on the other hand, the relaxation is quite sharp.

We would not, therefore, join those who will criticise the Chancellor for financial over-stringency at a time of high unemployment. An economy which has suffered such a sharp and prolonged downturn cannot at this stage be more than convalescent, and to have pushed much harder would have courted the same risks as previous dashes for growth; with inventories lean and much capacity shut down, industry cannot respond to over-bold attempts to stimulate demand.

What the Chancellor has done—a relaxation of about £3½bn on a full-year basis, compared with the underlying stance last year—is quite enough. So far from leaving something in hand for a further autumn relaxation, the Chancellor has probably made it worth a mild bet that any autumn course correction would be mildly deflationary.

However, the best bet is that the Chancellor now has the fiscal balance about right; the size of the change reflects the fact that last year, fiscal policy was unintentionally over-tight. This was balanced by a considerable relaxation in monetary policy, reflected in the sharply-increased growth targets; this undoubtedly had something to do with the subsequent correction in sterling.

The modest reduction in monetary targets this year is a change in the right direction, but it is unfortunate that the Chancellor said nothing about the weight he now gives to the exchange rate in judging the stance of monetary policy as a whole. As the Financial Statement makes clear, it remains a complex and possibly insoluble problem to judge this purely from the movements in the various measures of money. The financial strategy, despite the Chancellor's strict rhetoric, looks increasingly pragmatic.

However, Budgets are not simply concerned with financial totals, but with how they are reached. The general directions of the Budget changes are much as expected, and welcome. As Sir Geoffrey pointed out, it is appropriate to concentrate relief on industry when the exchange rate is high, and on the personal taxpayer when it falls again — an interesting guide for future fiscal policy. The rise in tax thresholds, worth more than 8 per cent in real terms this year, is the right way to cut income tax. The rise in child benefits, worth about 6 per cent in real terms, is also exactly right in principle. We also welcome the fact that the Chancellor has not allowed electoral consideration to divert him from his policy of maintaining the real value of excise duties; this was a properly inflation-accounted budget.

Modest increase

At the same time, it is possible to wish that the Chancellor had been bolder about these changes, even within a restrained total. He has hinted in the past at some attack on tax expenditures, but he did was to increase them modestly, but quite against his own department's best judgment, by an increase in the ceiling for mortgage tax relief.

Yet it is only by tackling tax expenditures, and by completing the work already begun in bringing social benefits into tax, that the poverty trap can seriously be attacked within the general constraints of prudence. As it is, despite his welcome measures, Sir Geoffrey leaves tax allowances lower in real terms, and child benefit only marginally higher than when he took office. Next time, perhaps.

BNOC's price dilemma

THE NEW agreement reached by the Organisation of Petroleum Exporting Countries on Monday confronts the British Energy Secretary, Mr Nigel Lawson, with a singularly tricky dilemma. The proposed cut of $5 in the oil reference price to $29 almost certainly means that the British National Oil Corporation's earlier recommendation that North Sea prices should be cut by $3 to $30.50, backdated to the start of February, will no longer be acceptable to most customers. Yet a false move in judging the appropriate new North Sea price structure could undermine the whole Opec package, with awkward consequences for Britain.

Until now Mr Lawson has been able to avoid giving undue offence either to Opec or to Britain's friends in the West by arguing, quite correctly, that British North Sea production was governed by the industry's development plans not government depletion policy. As for pricing, he was prepared to give assurances that Britain, as far as it was able, would avoid taking aggressive action that threatened to rock the Opec boat.

Differential

This twin-track diplomacy, which served well enough while Opec was unable to reach agreement, looks less tenable in the light of an agreement which confirms the price of Nigerian crude at $30 a barrel.

BNOC has a duty to its suppliers and has always priced North Sea oil with the intention of selling total production. There is, however, genuine doubt about what the market clearing price for North Sea crude should now be. British Petroleum, for one, has argued that it should be priced at 75 cents to $1 a barrel less than Nigerian crude, which is of slightly better quality (and has also claimed that the whole Opec package will fall apart because Nigerian oil will now sell at too small a premium to Saudi crude). Others suggest that the differential between Nigerian and British crude should be narrower, or even non-existent.

What is clear is that Nigeria is not much concerned with BNOC's problems in trying to find a workable market compromise between the conflicting interests of its customers, the oil refiners, and the independent producers. It has threatened to match any future price cut that BNOC makes. Over a longer period there are doubts whether the market can absorb this year's planned British production of 2.3m barrels a day and 1.3m for Nigeria. In short, a price war will be hard to avoid, particularly when Nigeria is under considerable domestic, political and financial pressure.

Since oil represents a relatively small proportion of gross domestic product, Britain stands to lose less than most producers from a further fall in the oil price, particularly if a sterling fall against the dollar helps offset the impact. But Mr Lawson makes no secret of his distaste for a precipitate plunge. In the circumstances, the only policy for the Government is to reiterate that BNOC can only do what the market dictates; and the forces under which BNOC is finally pressed into taking action should be made crystal clear to all concerned.

THE BUDGET: Analysis

ECONOMIC ASSESSMENT

The stimulative effect could be greater than at first glance

THE BUDGET SPEECH was thin on economic analysis and thick with fiscal detail. The Red Book, to which Sir Geoffrey Howe referred those of us disinterested enough to be interested in matters of strategy, gives a good analysis of the past and some forward indicators. But it is as silent as the Chancellor was on exchange rate policy. A Hamlet without the Prince of Denmark.

As a forecasting assumption, the trade-weighted sterling average is put at the same level as February, 1983; but this tells us very little about policy. Yet what happens to the exchange rate is far more important for profitability, output and employment than the modest fiscal changes in any recent Budget. Businessmen looking at oil and other uncertainties may not expect any rebound in sterling. Nevertheless, the lack of any reassurance that the Government will even try to prevent an upsurge in sterling (before or after an expected Labour defeat in the polls) could more than offset all the myriad-small and moderate concessions the Chancellor made to different sections of industry.

The main assumptions underlying Government policy are too restrictive. On the other hand the actual outcome of events and policy may be a good deal more expansionary than the Budget Speech suggests, or even than the Treasury had in mind when it began its work early this year.

To be more specific: the rise in the money national income was expected in the 1982 Red Book to be running at about 9½ to 10 per cent per annum. It is now put at around 8 per cent, as shown in the table. In other words the Government is content that national income growth should decline to reflect a lower rate of inflation, instead of allowing a little more stimulation.

Nevertheless, the practice is much more stimulative. The actual tax cuts amount to £2.2bn in a full year after allowing for indexation—a good deal more than in 1983-84. In addition public expenditure increases add another £0.4bn in 1983-84 alone. The result is a total fiscal stimulus of at least £2.6bn. Some 27 per cent of the much-reduced contingency reserve of £1.5bn for 1983-84 has been allocated before the year has even begun.

A week may be a long time in politics; but a single fiscal year is too short for the effects of tax and public expenditure measures to come through in full. While the 1983-84 PSBR is slightly less in cash terms than was anticipated in last year's Medium Term Financial Strategy, the expected PSBR in 1984-85 is £1.5bn higher. Of course, all these figures, including even the 1982-83 estimated out-turn, will diverge a long way from anything in the table, but the direction of intended movement is important.

Signs of a more expansionary movement are confirmed by indicators from the real economy. The official forecasts, showing 2 per cent GDP growth this year and 2½ per cent to 1984, were prepared before the latest index of manufacturing production, about which the Prime Minister was fed a question before the Chancellor rose. Like Professor Martin Feldstein, Sir Geoffrey Howe's unnameable economic advisers would probably put in higher estimates if they were starting again now.

KEY FISCAL INDICATORS

£bn. cash	1981-82	1982-83	1983-84	1984-85	1985-86
General government expenditure	120.2	130	137½	145	151
General government receipts	—111.7	—121½	—128½	—137	—147½
Implied fiscal adjustment*	—	—	—	6½	4
GGBR	8.5	9	9½	8½	7½
PSBR	8.7	7½ (9½)	8 (8½)	8 (8½)	7
As % GDP	3¼	2½ (3½)	2¾ (2½)	2½ (2)	2
Money GDP at market prices	254	275	296	322	346
% annual increase	10.4	8.3 (9.8)	7.6 (9.6)	8.8 (9.4)	7.5

The Budget was prepared on the assumption of a North Sea oil price of $30.5, and any fall in oil prices will make the PSBR arithmetic more expansionary. Rather more important is the chart in the Red Book showing (as was demonstrated in Economic Viewpoint two weeks ago) that thanks to the fall in the exchange rate, British relative unit labour costs are back to the late 1979 level of competitiveness. Official forecasters have been deliberately conservative in the allowances made for this.

The medium term official forecast is of output growth averaging 2½ per cent per annum from 1983-84 to 1985-86. This is roughly in line with the estimated growth of productive capacity, and would imply that after some further upward creep up to this summer or autumn, unemployment should then level off.

Again, this assumes a fairly moderate growth of productivity. If productivity were to increase too quickly, it is hoped that output would rise faster to take up the slack. But I would rather not rely on the hope or even economic presumption. If productivity is rising and inflation falling, it would surely not be dangerous to have a more stimulative policy if that proves necessary.

My worries are more that we are moving to a phase where policy can err in an inflationary direction in many countries; but a strategy should provide some assurance that the Government would try to offset either inflationary or contractionary lurches.

For the moment, however, the Treasury still sees inflation as being on a downward trend. A less volatile measure than the Retail Price Index, and one which reflects domestic costs rather than imports is the GDP deflator. This rose by 7 per cent in 1982-83. It is expected to rise by 5½ per cent in the coming year, and by 5 per cent in 1985-1986. Another official assumption—I am not sure whether it is a policy—is that UK inflation will from now on not be different from the average of the main industrial countries.

On official assumptions and forecasts the UK patient has at last stopped getting worse and one symptom, inflation, has been reduced, although it has far from vanished. But there is still no sign of any inroads into the vast human and economic waste of unemployed resources, side by side with unsatisfied wants. Despite the ½ per cent reduction in the National Insurance Surcharge, there was no sign of a major overhaul of the whole system of tax concessions and industrial subsidies, which encourages the use of capital and penalises labour.

Indeed, given that there was no realistic possibility of such an overhaul, it would have been much better if the Chancellor had postponed the NIS reduction and devoted his whole margin to larger increases in child benefit, tax thresholds and allowances. In this and in other respects, the Chancellor made too many concessions to his friend, Mr Patrick Jenkin, and all the many industrial lobbies represented by the Industry Department.

Indeed, I was thinking of Milton Friedman during the Budget Speech. But not the Friedman who would criticise the Chancellor for failing to adopt monetary base control and for having too many monetary aggregates to target; but the Friedman who—along with most mainstream economists of all political persuasions—would like to eliminate all interest group subsidies and tax reliefs and go for lower tax rates instead.

The whole Budget went entirely in the opposite direction; and even the most hardened interventionists in the Press gallery became bored with the intricate detail of concessions to one interest group after another of which the Chancellor boasted not merely during this Budget but during the whole of his tenure. I wonder how many potential small entrepreneurs even know of the grants available for start-up schemes, having their homes repaired, or for the Council to clean up their house fronts.

Admirers of Mrs Thatcher on American campuses believe that she stands for doing away with this sort of nonsense. But further evidence that this is not the case was given by the token but tell-tale increase in the limit for mortgage interest relief, which the Treasury had hoped to see eroded by inflation. Yet this is the type of distortion which does more to raise interest rates than a quite substantial increase in the Budget deficit would do.

So, although the economic outlook looks better than for some time, and the Treasury economists have worked very hard to put this improvement in the framework of government policy, there is not much one can write home about in the Budget contribution. It is certainly good that the UK inflation rate is no worse than that of competitor countries; but it is a modest achievement, gained at a fairly high price, also for the upturn in the U.S. and world economy.

Samuel Brittan

POLITICAL ASSESSMENT

Still the same Sir Geoffrey

NO-ONE can easily accuse Sir Geoffrey Howe of a lack of consistency. Nor of deliberately producing a pre-election budget either.

A glance back at his previous four budget statements reveals by and large the same themes displayed in his fifth. The need to control public expenditure, to lower the level of pay settlements, to cut taxation and reduce the numbers of the civil service—all the old tunes are there again.

The difference this time is that the Chancellor may be slightly nearer achieving his aims, not least because of his relatively austere budget in 1981.

For a start, the findings of the FT-Marplan poll published on Monday confirmed there has been some improvement in profit margins since the depreciation of sterling set in last autumn. There is some tentative evidence of economic recovery in the U.S. And it was useful to be able to make a budget statement on a day when there had been some cuts in base rates.

By Sir Geoffrey's own standards there have been some improvements. Public expenditure is falling as a percentage of gross domestic product. Again, when it came to the distribution of tax cuts between the personal and business sectors, the Chancellor said: "The choice is less stark now than in the past."

In fact, he gave relief on both fronts, the further cut in the national insurance surcharge being one of the best kept secrets in the Budget. The Government is back in the tax-cutting business.

But it has taken a long time to get there. In Sir Geoffrey's first budget in 1979 he reduced the basic rates of income tax from 33 per cent to 30 per cent. The aim then was to reduce it to 25 per cent by the time the Government left office. All that has long since gone out of the window, but the Chancellor has not yet given up trying.

It is the same with his approach to the economy in general. Nothing has deterred him, nothing has deflected him — not the world recession, the high level of unemployment nor the fluctuations of the exchange rate — from his original aims. Four years on he is still going down the same road, even if only recently he has again begun to make progress.

There have been some innovations, to be sure. For example, the move to cash planning rather than funny money in the public sector, looks as if it may now have caught on as an effective means of controlling expenditure.

Similarly the Chancellor moved yesterday to facilitate employee share ownership—action that one might have expected earlier from a Conservative government interested in fostering a capital owning democracy.

There are also his own characteristic schemes: freeports this time—enterprise zones before—decisions from which he seems to take special personal pleasure. Equally, there was another array of seemingly endless small measures to help small businesses.

All this is the same Sir Geoffrey: the mind fixed on a succession of micro-changes while the macro-goal remains far away. In the end the micro is supposed to add up to something big, but the end is not nigh.

Yet there is another way in which the Chancellor has changed. He has become more international. He takes his work with the International Monetary Fund seriously. In this respect the summit meeting of the industrial democracies in Williamsburg in May is of the greatest importance. Sir Geoffrey is interested in monetary reform in a way that he never was before.

His stature in the Conservative Party has risen too. It is a long time since there have been stories of the Budget being decided over his head. A few weeks ago a Cabinet Minister suggested that Mrs Thatcher might try to insist on a penny off the standard rate rather than the rise in the tax thresholds the Chancellor preferred. Sir Geoffrey won. It is his Budget as much as the Prime Minster's.

In one way, however, the Chancellor remains tantalising to the last. Time and again he has raised the question of how to go on financing the social services on the basis of forecast revenues. Yesterday he repeated that social security accounts for more than one quarter of public expenditure and that half of that goes on benefits to pensioners.

It is clear from some of his other speeches and writings that he is trying to find a new approach to this problem. But in his Budget statements he always shies away.

All that is perhaps a matter for the election manifesto on which he is working. But as to the timing of the election the Budget tells us nothing. It looks to me like being quite a long finance bill. The other indicators to watch are the by-election in Darlington next week, the local elections in May and, of course, the pound after OPEC.

Malcolm Rutherford

Men & Matters

Japanese jobs

The London office of Nomura Securities, Japan's biggest financial institution, is preparing to welcome back next week a party of British graduates who have just spent six months learning the ropes of Tokyo's financial markets.

Nomura, whose international ambitions are almost limitless, last year became the first Japanese company to put together a large-scale graduate trainee programme in the UK. The company toured British universities and hired 14 graduates (all male) from an application list of 120. Similar searches were conducted in Hong Kong and the U.S.

Eight of the 14 were then sent to Tokyo, and accommodated in dormitories miles from the bright lights of the capital. The spartan housing, together with a diet of raw fish, proved too much for the young Oxbridge men. Complaints were made, and they were quietly transferred to a hotel adjacent to the bars of Roppongi.

But the graduates, who are being groomed for senior management posts in Nomura's international operations, appear well satisfied with their choice of employer.

The dawn-to-dusk working hours and company loyalty of the Japanese securities house staff have been readily adopted by the British group. Their Japanese peers, who may slightly resent the kid-glove treatment of the foreigners, are surprised by how rapidly the independently - minded British have been Nomuralised.

Nomura's senior management is delighted with the experiment, and is now hastily building a spacious and comfortable residential centre to provide more familiar surroundings for the foreign graduates.

The application list for the current year is already closed. Nomura's London office is sifting some 400 candidates, from whom it expects to select 10 for initiation into the mysteries of the Gensaki market, the Japanese language and hostess bars.

Tour de force

After more than two years haggling in Madrid, participants in the Conference on Security and Co-operation in Europe are determined to make more progress in their discussions over the next three years. They will be meeting in no fewer than seven different venues from Athens to Ottawa.

The programme starts with a preparatory meeting in Helsinki in October. Then it's winter in Stockholm for talks on "confidence and security building measures and disarmament in Europe."

Come March next year, the roadshow moves to Athens to discuss how disputes can be settled peacefully; to Paris for culture; and then to Venice to review initiatives in economic, scientific and cultural co-operation.

The 1985 schedule includes two meetings, one on human rights, in Ottawa; a return to Paris for more culture; and to Helsinki for a commemorative meeting to mark the ten years that will have passed since the CSCE Final Act.

Lastly, in November 1986 a meeting is planned in Vienna—much to the annoyance of the Romanians who were hoping to get a home fixture in Bucharest.

Of least the 35 delegations should provide some security for the travel business.

Stylish robots

Don't waste time and money trying to make robots in the likeness of man, Professor John Meleka advised his Royal Society of Arts audience in the second of this year's three Cantor lectures on robotics.

"So that you can take full advantage of the Budget we've put the price up to £30,000"

He says that every British university research group into the clever little devils is trying to make them act like man. But, he argues, the thinking should be different. Robots, he says, should be doing the things man can't do; getting into places where man can't venture. In a few words "they need different sensors."

Meleka who has recently been made professor of manufacturing systems at the Open University, previously spent five years introducing robotics into BL. In his time the car company's robot workforce multiplied from just one machine to Britain's biggest.

Since then Meleka has been scouring the world for new robot concepts. During his quest he has come across machines with eyes in the ends of their fingers, machines with articulated elephant trunks for getting round corners; and even robots that can renew themselves or repair themselves by changing their own hands.

Half of the 100,000 or so robots at work in the world today are in the motor industry, he estimates. It is the natural pioneering territory for robots.

BL has recognised that and has been careful to teach robots such processes as welding, painting, and foundry work which present real difficulties and dangers for people.

German band

As Midland Bank moves to internationalise its top management it seems that having a German background is becoming a positive advantage.

Ernst W. Brutsche, aged 44, who joined the Midland two years ago as chief executive of its Trinkaus and Burkhardt subsidiary in West Germany has been made chief executive of the Midland's two-year-old Group Treasury division which is responsible for looking after the worldwide money and foreign exchange business of the bank.

Just a few weeks ago Herbert Jacobi, another member of the Trinkaus board was promoted to be a general manager of Midland.

Brutsche, who says he will be moving to London shortly, was previously a senior vice president at Citibank in New York where he headed the big U.S. bank's domestic liability management operation. He says that his new role is "more important" than the job he had at Citi.

His responsibilities will include a big international dimension reflecting the increasing international spread of the bank's operations with the acquisition in the past three years of control of Crocker National in the U.S. as well as Trinkaus in West Germany, and a French bank.

Idle thought

Graffito in Chelsea: "Transcendental meditation is better than sitting around doing nothing."

Observer

THE BUDGET: Analysis

TAX THRESHOLDS

Little ground gained on income

THE increase of income tax thresholds by 14 per cent represents a real increase of 8½ per cent after allowing for inflation; yet nobody will have regained the real disposable income they had when the Government took office, whether they earn £5,000 a year or £40,000 a year.

And although the 14 per cent increase improves the position of most people over last year (the exception being those around the £15,000-a-year mark caught in the National Insurance contribution trap where an increase in the contribution cancels out the tax improvement) the position for the low paid is not nearly as good as the Chancellor's speech implied.

The real trouble started for taxpayers with Sir Geoffrey's second Budget which sharply reduced real disposable incomes in 1980, a year of high inflation. The next two years were broadly stand-still years, with marginal improvements for those earning more than £15,000 a year. Only this year is there an attempt to restore a little of this lost ground. But both the £5,000-a-year and the £40,000-a-year earner remain substantially worse off than they were in 1979.

A married couple with only the husband earning will pay £105 less tax in 1983-84 than in 1982-83 if they have an annual income of between £3,000 and £14,000.

At £3,000 a year, the tax charge on a husband's earned income will be £61 and at £14,000 it will be £3,361. Thereafter, the reduction rises progressively with a tax charge £443 lower for those on £20,000-a-year incomes, £708 lower at £30,000 a year and £1,035 lower at £40,000 and £50,000 a year.

The single person's allowance has been raised by £220 to £1,785, the married man's allowance goes up £350 to £2,795, the single age allowance is up £290 to £2,360 and the married age allowance rises £460 to £3,755.

The tax rates are: basic rate, £1 to £14,600 at 30 per cent. Higher rates: £14,601 to £17,200 at 40 per cent; £17,201 to £21,800 at 45 per cent; £21,801 to £28,900 at 50 per cent; 28,901 to £36,000 at 55 per cent; more than £36,000 of taxable income at 60 per cent.

Although all groups will be better off than last year, the situation for the low paid is not as good as it looks, partly because the child benefit, crucial as a supplement to poor families, has been uprated by only about 11 per cent, from £5.85 a week to £6.50 rather than the full 14 per cent given to income tax thresholds.

At the basic rate, the increase in thresholds means an extra £1.27 a week for a single person and £2.02 for a married person. But this is offset by higher National Insurance contributions which mean that a married person on low pay (on two-thirds average earnings) pays an extra 40p a week.

Since 1979—until yesterday—these same married people on low pay have seen their income tax rise by £1.80 a week and their National Insurance contributions by £2.45 a week. They remain a net £2.50 a week worse off than in 1979.

The problem of the poverty trap is not, therefore, being alleviated to the extent that Sir Geoffrey implied. He said the rising tax threshold would take 1.25m out of tax, but 750,000 have been taken out anyway as a result of straightforward indexation. Those remaining in the poverty trap are still caught by a first rate of tax of 30 per cent compared with the 25 per cent starting rate before the Government took office. (The 25 per cent rate was abandoned after Mrs Thatcher was elected.)

Nor was the news about pensions as good as it may have seemed at first and it could cost the Government some of the 9m pensioners' votes. Sir Geoffrey announced that the amount paid to pensioners last year over and above the actual rate of inflation as it turned out, would not be clawed back. However, the real financial situation facing pensioners remains confused because the rules have been changed yet again and this year's pension rises will be based on the rate of inflation in the preceding May.

It could be unfortunate politically for the Government that May this year is widely expected to see the low point of the inflation trough, down to around 4 per cent, after which it will rise again, probably reaching 6 per cent by November when the Government will announce a pensions rise based on 4 per cent. The new system (which is, in fact, an old system) appears to be as full of potential banana skins as the system it displaced, which was based on guessing the inflation rate in advance.

The Chancellor said prices over the life of the Government had risen by around 70 per cent with pensions rising 75 per cent, "more than fulfilling the pledge to maintain the value of pensions."

This is less charitable than it seems because government's have no choice under various Social Security Acts than to maintain the value of pensions. The pensions remain well short of one third of average male earnings (£55) for a single person and one half (£82) for a married couple.

The Chancellor returned to the 5 per cent abatement of unemployment benefit in November 1980 "pending taxation of benefits" which started last year, but the cut was not restored.

Yesterday, to the relief of many of his own backbenchers with high unemployment constituencies, that 5 per cent cut was restored in full. The downside to this relief was the announcement that like pensions, unemployment benefits will be increased in November at the previous May's inflation rate which may again be storing up trouble until after the election when it will be a less pressing issue for the Tories if they win.

Other moves on social security (which accounts for more than a quarter of all public expenditure) include an increase to £4.05 in one-parent benefit, an increase from £20 to £22.50 in the amount which the disabled and chronically sick can earn before their benefit is reduced, an increase from £2,500 to £3,000 in the limit of savings above which people are disqualified from supplementary benefit. More than 11,000 war pensioners will have the existing vehicle allowance scheme replaced by a more flexible cash allowance.

All these social security measures including child benefit and the end of unemployment benefit abatement will cost £140m in 1983-84 and around £400m in 1984-85.

Robin Pauley

SMALL BUSINESS

A record number of new measures

A SMALL business package is now an indispensable part of the Chancellor's Budget statement. However, yesterday's speech probably set a record for a number of measures aimed at helping new and existing small and medium-sized companies.

The Government estimates that the revenue cost of this programme in 1983-84 will be £110m, and £275m in a full year.

Among the highlights were a radical extension of the present Business Start Up Scheme so tax relief will be available to individuals investing in existing trading companies as well as new ones; a £300m increase in the ceiling for lending under the Government's Loan Guarantee Scheme; the revival of the popular Small Engineering Firms Investment Scheme, which will cost £100m over the next three years, and the nationwide extension of the Enterprise Allowance Scheme. In five pilot areas this has provided unemployed people starting a business with a cash grant of £40 a week.

Other measures were improvements in tax relief for profit sharing and share option schemes, new tax relief for interest on borrowings by employees involved in buying out their companies, a reduction in small companies' rate of corporation tax and an increase in the limits below which it will apply, and a modest increase in the VAT registration threshold.

Potentially the most far-reaching changes affect the Business Start-Up Scheme. In future this is to be known as the Business Expansion Scheme. The start-up scheme was introduced in the 1981 Finance Act and provides relief for individuals investing up to £20,000 in a new company. Hailed then as revolutionary, there has been considerable criticism of some of the conditions and partly as a result of these the response from investors has been disappointing. Originally due to expire in April 1984, the scheme has been extended to April 1987. Most significantly, from April 6 this year individuals will be able to claim relief at their top marginal income rate on equity investments in a great many existing unquoted trading companies.

The maximum allowable individual investment will be doubled from £20,000 to £40,000. Among other changes the restriction which limits total relief to 50 per cent of the company's issued ordinary share capital will be removed.

The revival of the Small Engineering Firms Investment Scheme at a cost of £100m over three years will be widely welcomed, particularly in the West Midlands where much of the £30m allocation was taken up last year. The purpose of the scheme is to encourage engineering businesses to buy advanced machine tools. A one third grant upwards costs is provided and a preliminary study by the Industry Department suggested that the measure is already proving cost effective.

The allocation of a further £300m towards the Loan Guarantee Scheme will be popular as the £300m currently available has been used up much faster than expected. Under the scheme the Government guarantees 80 per cent of approved loans up to £75,000 in return for a 3 per cent premium on the guaranteed portion. So far 9,000 loans have been made. While both manufacturing and service businesses currently qualify the scheme is to be extended to "certain tourist related and business training activities."

There was disappointment in some quarters last night that the £75,000 limit has not been raised nor the 3 per cent premium reduced.

The Enterprise Allowance Scheme helps unemployed people to set up a business by providing a £40 a week cash grant. So far it has been restricted to five areas where numbers out of work are high. Evaluation of this pilot study is not yet complete but the Government says that there is evidence that the new businesses are creating additional employment. In 1983-84 some £25m will be available to cover about 25,000 successful applications—more than 10 times as many as under the present pilot schemes. The allowance is payable for a full year. It will cost a further £29m in 1984-85 but because of savings in unemployment benefit the net public cost is estimated at about two-thirds of the gross.

The small companies rate of corporation tax is being reduced from 40 per cent to 38 per cent. This will apply up to profits of £100,000 (previously £90,000) while the upper limit is being significantly increased from £225,000 to £500,000. Where a company's profits are between the lower and upper limit it pays tax at an average rate which gradually increases to the full rate of 52 per cent. As a result of yesterday's changes, the marginal rate between the limits has come down from 60 per cent to 55½ per cent.

A number of Budget submissions had been urging the Chancellor to implement a graduated rate for smaller profits.

The VAT registration thresholds—below which small traders are not required to register—will be increased from £17,000 to £18,000 taxable turnover a year. The deregistration threshold—for the voluntary deregistration of traders—will be raised from £17,000 to £18,000 on past turnover and from £16,000 to £17,000 on estimated future turnover.

Changes to share option and profit sharing schemes are expected to encourage more small companies to give key employees a chance to buy shares. The capital transfer tax and capital gains tax improvements are designed to better the fiscal climate for business generally.

The 100 per cent initial allowance for small industrial workshops is being extended to cover all industrial units in a converted building where the average size of all the units does not exceed 1,250 sq ft.

An inexpensive but significant measure is the new tax relief for interest on borrowings by employees in employee and management buyouts. It will cost an estimated £1m in 1983-84 and £2m in a full year but could give an important boost to what is an increasingly common solution to the problem of surplus subsidiaries.

More details are expected this week about the Chancellor's innovation package, particularly a scheme to enable companies to evaluate the benefits of computer aids for production management and for the development of new software products.

Tim Dickson

PERKS

Cars, houses and scholarships under fire

THE CHANCELLOR has launched a three-pronged attack on perks.

The most wide-ranging is the decision to increase the amount taxable on company car benefits by 15 per cent. *This will come into effect in* the financial year 1984-85.

Last March the Chancellor announced a 20 per cent increase in the taxable benefits, but for administrative reasons this is not to come into effect until April this year.

The proposed changes will affect the liability to tax of *directors and* employees earning £8,500 a year or more, who by reason of employment, are provided with cars available for private use.

The increase of 15 per cent against a background of an estimated 6 per cent inflation rate indicates once more the Government's view that company cars have hitherto been taxed too lightly.

Similar increases are proposed in the scale of benefits relating to fuel provided for company cars. For example, the average company motorist driving a 1600cc car will pay *about £2.77 a week in tax* for his car (double that if he gets petrol too) compared with £2.45 in 1983-84.

The second category of company benefits to feel the disapproval of the Exchequer is what the Inland Revenue describes as "expensive homes provided for company directors and others."

The *provision of such* homes for directors has been a controversial matter in the City in recent years. Institutional investors, particularly the pension funds, have criticised arrangements set up by such companies as the Burton Group and the Associated Communications Corporation.

The Inland Revenue yesterday said: "Cases have recently come to light where companies have purchased expensive properties for their directors' private occupation, and the charge has been plainly inadequate.

"In some cases *the director* had the option to buy the property at a future date at the price originally paid, effectively gaining an interest-free loan of the purchase price.

The Inland Revenue has not specified exactly what action will be taken but says: "It is proposed that where from *April 1984 an employee or* director occupies a company house, the tax charge (based on the annual rental) shall more closely reflect the true value."

The Chancellor's third target area is the provision of scholarships for members of an employee's family by the company.

This is clearly a prompt response to a House of Lords judgment in December in favour of children of two ICI employees who had been awarded company scholarships to study at university. *The House of Lords* ruled that such scholarships should be tax-exempt.

The Finance Bill will contain a provision which reverses that decision so that new scholarships awarded on or after March 15 1983 under schemes similar to that considered by the House of Lords will give rise to a tax*able benefit in kind for the* parent. Existing awards are not affected so long as the scholar remains at the same educational establishment.

***In spite of this proviso one of the barristers who acted* for the ICI parents in the December case last night described the new legislation as "highly regrettable" adding: "I am very surprised that the Chancellor should have acted in this way."**

The Chancellor's proposal will not affect the value of the scholarship to the student himself, nor scholar*ships won in "genuinely open* competition," which will remain tax exempt.

When the Chancellor in his first Budget reduced the *marginal rates of tax at the* upper end of the income scale it was always intended that an attack would be made on benefits which had been developed as a response to much higher rates of taxation. The three measures proposed by the Chancellor yesterday should be seen in that light.

Dominic Lawson

MORTGAGES

A compromise for owner-occupiers

THE raising of the mortgage interest relief limit from £25,000 to £30,000 represents one of the more obvious vote-winning elements of the Chancellor's package.

This increase will save around £13 a month for a basic rate taxpayer with a £30,000 home loan. The decision may bring marginal benefits for the construction sector but there is no doubting the impact it will have on many owner-occupying voters.

The new rates of relief will become effective on all new loans made from the start of the next financial year and borrowers with *loans below the* £30,000 limit will receive the benefit of additional relief if they increase their loan in order to make improvements to their home.

The £5,000 uplift would appear to represent a classic compromise between the *Treasury, which is in principle* against the concept of mortgage tax relief, and some ministers—notably Mrs Thatcher herself—who see the encouragement of owner occupation as a continuing political priority.

There were fears within the housebuilding industry and the building societies that the Government was prepared to let the system wither by letting inflation do its worst. However, yesterday's increase underlines the Prime Minister's determination to ensure its survival.

But if the case for its retention has been won, the argument for raising it in a manner which restores its value to its original 1974 level has been conveniently overlooked. A figure of more than £75,000 would be required if that was to be done and the building *societies have been suggesting* that, while £50,000 would be "appropriate," a modest increase to around £35,000 would be acceptable. In the event, the outcome will offer marginal assistance to home buyers and it will create substantial additional work for the building societies, but Mrs Thatcher will have made her point.

The steady reduction in the real value of the relief limit has had a particularly adverse effect on people buying homes in areas where house prices are high, especially London and the south-east. The new limit will go some way to helping them and to stimulating a housebuilding industry which is already showing distinct signs of a revival.

One good reason for increasing the limit is the impending *introduction of the new scheme* for giving mortgage interest relief at source. This system excludes loans over the £25,000 relief ceiling and which would become progressively less effective as a growing proportion of loans exceeded this figure.

Borrowers who have existing loans of between £25,000 and £30,000 will obtain tax relief *through PAYE for the 1983-84* but they will be brought into the new system from April next year.

Widespread hopes that the Chancellor might also increase the thresholds under which Stamp Duty on house sales is paid were not fulfilled, although these were raised last year.

Michael Cassell

REAL INCOMES

No benefit for the £15,000 p.a. earner

THE CHANCELLOR has presented his income-tax measures as a significant reduction in the burden of personal taxation, but this is only true if a very short-term view is taken.

Allowances and thresholds have been increased by 14 per cent instead of the 5 per cent required by the Rooker-Wise indexation provision introduced three years ago. The single Personal Allowance has been increased by £220 to £1,785, the Married Personal Allowance by £350 to £2,795 and Age Allowances by equivalent amounts. The bands of basic and higher rates of income-tax have also been increased by 14 per cent and are now:—

Basic rate: £1-£14,600 at 30 per cent;

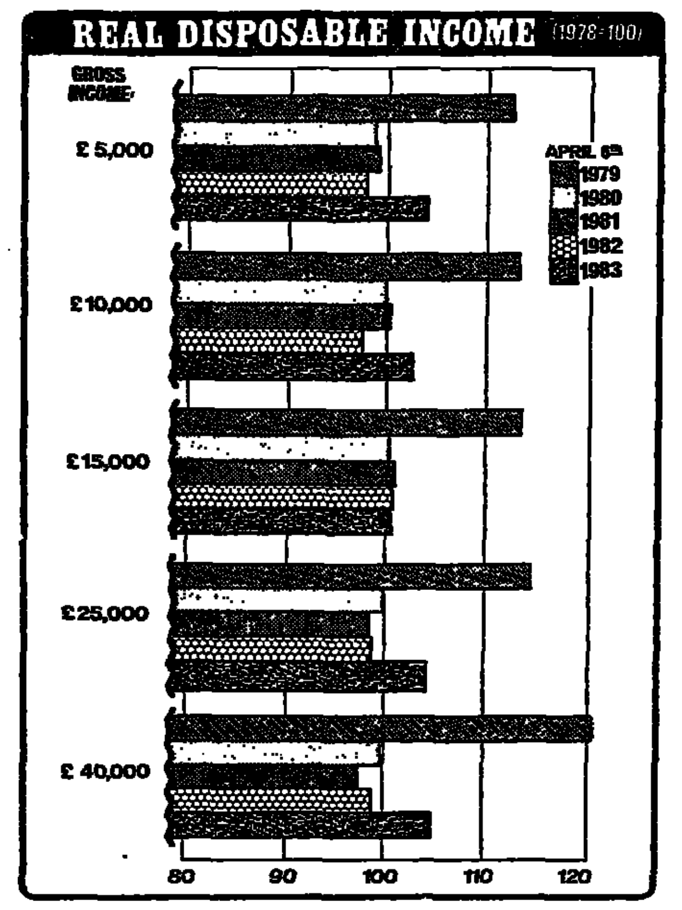
Higher rates: £14,601-£17,200 at 40 per cent;
£17,201-£21,800 at 45 per cent;
£21,801-£28,900 at 50 per cent;
£28,901-£36,000 at 50 per cent;
Over £36,000 at 60 per cent.

The chart illustrates the relative changes in real disposable income at five representative income levels since 1979. The calculations at each level of gross income assume that a married man with two young children has achieved pay increases roughly in line with average earnings so that his pay now stands as shown. We have therefore assumed an 8 per cent increase in average earnings for the current year.

Income tax and social security contributions have been deducted from those earn*ings and* child benefit has been added. The resulting spendable income has been compared with the level of real spending power which he would have enjoyed taking April 1978=100 and adjusting subsequent years' figures in line with the Retail Price Index.

The table confirms that we can all expect to be a little better off than we were this time last year but it also shows how real spending power declined after Sir Geoffrey's first tax-cutting budget. That first budget made earners at *all levels some* 12-14 per cent better off and gave an extra 20 per cent to the very highly paid. Against inflation of 17 per cent over 1980 everyone fell back to their real income levels under Dennis Healey's *last* budget. Those levels were broadly maintained over the next three years. This year's proposals do not put anyone back to where they were after the 1979 tax cuts.

Closer inspection of the chart shows that the £15,000 earner will not benefit from this year's measures. He does not earn enough to benefit from the rise in higher rate tax thresholds and the impact of the recent large increases in National



Insurance contributions hits him particularly hard: the rate has increased from 6.5 per cent in 1979 to 9 per cent in 1983 and the amount of earnings on which National Insurance is paid has risen from £6,240 in 1979 to £12,220 in 1983.

John Underhill and G. Hughes

FINANCIAL TIMES
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Patronat puts plea for 'commonsense' action, **David Marsh** reports from Paris

French companies call for state boost

NEXT YEAR in France must be the "Year of the Enterprise," according to the Patronat, the country's employers' federation, which is waging a tireless campaign to prod the Government into alleviating the sorry financial state of the corporate sector.

There are signs that the Socialists are listening. Right at the end of last year, setting out his New Year's Eve wishes in a televised address, President François Mitterrand himself promised that reducing companies' financial and social charges would be given top priority – "the objective which controls all the others." The aim was "to produce more – and to produce better."

So far, however, with Government decision-making in a limbo over the last two months of campaigning for the municipal elections, it has been all words and very little action. The Patronat is doggedly pleading its case for a reduction in government-imposed charges on companies, which it claims have mounted by FFr 100bn ($14.9bn) since the Socialists came to power.

The Government disputes the exact figures, but after the publication last month of an official report showing that French companies have to bear higher fiscal and social charges than their international competitors, the administration has agreed to set up a joint committee with the Patronat to report on the matter.

The latest batch of economic statistics shows that companies' investment and production plans – crucially affected by their heavily depressed profits – are still pointing mournfully downwards. Private-sector companies are in a much worse state that the nationalised sector, in to which the Government is pumping money.

Until they recover, the economy is likely to stay in the doldrums. Resuscitating the profits of the corporate sector – most probably by further dampening incomes of individuals – is likely to be a key component of the Government's expected post-election stiffening of economic policy.

M Guy Brana, Patronat vice-president and head of the organisation's economic commission, puts the corporate sector's pleas for government action like this: "Our propositions are common sense. They are not ideas of the Right or the Left, just policies which favour industry."

"We are not asking for government efforts to push up consumption. We have one solution to escape the paralysis: lower the charges on companies, so that we can fight our own way out."

He points out, more in sorrow than in anger, that, in November, the Government promised to lower social security charges levied on employees for family allowances – an extra welfare contribution that companies have long resented, under successive governments. Although M Brana points out that discussions are still going on, nothing has happened.

M Brana, chairman of the joint Franco-British electrical company Thomson Lucas, emphasises that the Patronat speaks not only for the French private sector but also for nationalised industries. State-owned companies such as the Thomson group (he is also general manager of the electrical division of Thomson-Brandt) are members of the Patronat through their affiliations to industrial federations.

A jovial and relaxed man in the comfort of the executive office, he takes a much more low-key approach to differences with the Socialists than the one sometimes adopted by M Yvon Gattaz, the Patronat president, on the debating rostrum.

After the policy-making lull of municipal elections in France, the Government and employers have returned to the issue of reviving industrial profitability. The Government has begun to bend a serious ear to the Patronat's pleading that charges on companies should be brought down "so that we can fight our own way out."

M Gattaz has been castigated by the normally mild-mannered M Jacques Delors, the Finance Minister, for spreading a mood of "catastrophe" and failing to help out companies in difficulty.

Somewhat more generously, M Brana concedes that the Socialists' actions last year to grant tax incentives to companies boosting research efforts, and to exempt from the new wealth tax money spent on factory plant, represented victories (although small ones) for the Patronat.

As far as industry's cash position is concerned, although it might not be catastrophic, it is certainly very bad.

The latest "photograph" of the French economy produced by the Government's statistics body, Insee, showed a sharp 8.6 per cent fall in industry's gross operating profits in the third quarter last year (following rises in the previous three quarters.) The fall was caused, above all, by the Government's four-month price freeze.

Companies' gross cash surplus available for reinvestment also fell to less than 8 per cent of value-added turnover in the third quarter from 11 per cent in 1981 – against the figure of 12 per cent which M Brana considers they need to keep going.

Industrial surveys last month from both the Bank of France and Insee pointed to stagnating or still declining manufacturing production at the end of last year and marked pessimism among industrialists for the coming months. This followed a fall in industrial production of around 2 per cent since the middle of last year.

Industrial investment is expected to fall 2.6 per cent in volume terms next year after a fall of 2.9 per cent in 1982, according to a survey carried out among 150 representative companies by the state financing body, Crédit National. According to another Insee report just published, 33 per cent of industrialists expect to cut investment orders over the next six months – the highest percentage since 1975.

M Brana says the Patronat's prescription for putting things right is centred on three key points:

● Reducing charges on companies by around FFr 20bn a year over the next five years to compensate for the extra FFr 100bn that has been imposed (mainly through cuts in working hours, extra staff holidays, social security increases and sumptuary taxation) since May 1981, largely in the period up to February 1982.

● Removal of wealth tax levies on capital invested in companies in the form of shares. M Delors, who has made the reinvigoration of the French capital markets one of his priorities, has already brought in fresh tax incentives to stimulate bourse investment – but the Patronat thinks he should go further.

● Increased depreciation allowances – allowing companies to write off 100 per cent of the cost of new machinery in one year – to boost investment. M Brana enthuses that this idea has already been brought in with success by the British Government, and he confesses more than a sneaking admiration for Mrs Margaret Thatcher.

Pointing out his links with the British Lucas group, he says: "I have been able to measure the progress in England. Some very useful things have been done there. I would prefer to say that we are dynamic and competitive in France – but we have had the Socialist experience."

Chrysler sees first quarter recovery

By Paul Taylor in New York

CHRYSLER, the third-largest U.S. car maker, said yesterday that it expected to make a pre-tax operating profit of more than $100m in the first quarter of this year, largely as a result of improved sales in January and February.

Such profits would further underline the group's improved financial position. In the 1982 quarter it suffered a pre-tax operating loss of $89m.

Chrysler shares closed at $16½, a rise of $¼ on the day.

Last year, Chrysler reported its first full-year net profit since 1977, mainly because of the sale of its defence division to General Dynamics. At the operating level, the car company reported a loss of $68.9m, a substantial improvement over the $555.1m operating loss for the whole of 1981.

Chrysler said its vehicle shipments in January and February amounted to 192,000 units compared with 150,000 in the first two months last year.

The company gave details of its improved performance in an amended prospectus covering the issue of 12.5m shares. This was filed yesterday with the Securities and Exchange Commission as part of a previously announced recapitalisation plan.

Chrysler said yesterday that banks and other financial institutions holding its preferred stock had given "nearly unanimous approval" to the plan, announced in January, under which $1.1bn nominal of preferred stock will be reclassified as common stock.

The company also said more than 10.6m warrants held by financial institutions had been tendered under another part of the plan covering the exchange of 13.3m warrants for common stock.

A total of about 35.4m common shares would be issued under the plan, which was approved last week by the Chrysler Corporation Loan Guarantee Board.

The plan is still subject to shareholder approval on May 5 and the successful completion by July 15 of a public offering of at least 8.75m of the shares the institutions will acquire at a price of not less than $12 a share.

UK budget gets enthusiastic welcome from Conservatives

BY PETER RIDDELL AND ALAN PIKE IN LONDON

MOST SECTORS of Britain's ruling Conservative Party gave the budget an enthusiastic welcome yesterday, recognising in it a characteristically cautious package offering limited concessions to a wide range of groups.

The Confederation of British Industry (CBI), Britain's main employers federation, also greeted the measures warmly, though some of its constituent members in hard-pressed industries were notably less enthusiastic.

The opposition parties on the other hand, argued that the measures offered no hope of a large recovery in output or a halt to the increase in unemployment. Both Mr Michael Foot, the Labour Party leader, and Mr Roy Jenkins of the centrist Social Democratic Party (SDP), pointed out that even after the budget changes, most people would still be paying more in tax than before the last general election in 1979.

MPs detected few pointers to the timing of new general elections, though it was noted that the income tax changes will affect wage packets on the first pay day after May 10.

Sir Geoffrey Howe, the Chancellor of the Exchequer, was warmly received at a packed meeting of the Conservative Party's finance committee. Sir William Clark, the committee's chairman and a strong supporter of the Chancellor's strategy, is reported to have said that the budget was "responsible and pleasing and could be sold to the electorate."

Other MPs praised the balance of the measures – giving relief to a wide range of voters while not risking the charge of electioneering. There were apparently only two questioning voices, one over the increase in the mortage interest ceiling and another about the position of heavy energy users.

Sir Terence Beckett, director general, of the CBI said his confederation welcomed a budget which encouraged enterprise and reduced business costs. He expressed particular pleasure in the fact that the National Insurance Surcharge (NIS) – against which the CBI has campaigned vigorously – had come down from 3½ per cent to 1 per cent over the last two budgets. "This budget strengthens the trend towards recovery, concluded Sir Terence.

By contrast, Dr James MacFarlane, director general of the Engineering Employers Federation, said that the budget measures would have little impact on the engineering industry's prospects.

Mr Derek Gaulter, director general of the Federation of Civil Engineering Contractors, said that the Chancellor's statement was "largely irrelevant to the needs of the civil engineering industry."

In another restrained reaction, Mr George Turnbull, president of the Society of Motor Manufacturers and Traders, commented that the Government's help for small companies was welcome but should have gone hand-in-hand with support for the large companies on which Britain depended for real wealth creation, employment and exports.

Mr Len Murray, general secretary of the Trades Union Congress, said: "against the background of the most severe slump since the 1920s, the Chancellor's budget speech can only be described as stupefyingly complacent."

COMPARATIVE PRICES

Country	Bottle of spirit ¾ litre ($)	20 cigarettes	Litre of petrol ($)	VAT (%)	Exchange rate
UK	10.95	1.65	0.58	15	1.51
Belgium	8.14	1.19	0.65	0–33	46.21
France	8.11–8.8	0.75 (local) 1.03 (import)	0.69	18.6	6.78
Germany	8.39	1.67	0.50	13	2.39
Netherlands	7.56	1.23	0.57	18	2.6457
Switzerland	15.72	1.02	0.57	**	2.0675
U.S.	15 (litre)	1.00	0.25	*	

* Local sales tax. ** Excise duty 6.2% — Source: F T Editorial Research Desk

Export fall hits West German economy

By Stewart Fleming in Frankfurt

THE SHARP FALL in economic activity in West Germany in the second half of last year was primarily the result of falling demand for West German exports, the Bundesbank, the West German central bank, says in its monthly report for March, published today.

Among the factors it cites as accounting for this decline was the acute payments problems encountered by many customer countries in the Third World, including some Opec countries.

In addition, exports to industrial countries, which take around three quarters of the Federal Republic's exports of goods, stagnated. The net result was that, seasonally adjusted and in constant prices, exports of goods and services were down by 2½ per cent in the second half of 1982 compared with the first half.

Gross national product in West Germany fell 1.2 per cent in real terms, the second successive year of decline.

In spite of the weakening in the second half of the year, exports for 1982 as a whole rose in value terms by 8 per cent (in volume terms by 2 per cent), while imports rose only 2 per cent in value and 1 per cent in volume. An improvement in the terms of trade for the first time for four years, contributed to the rise in the trade surplus from DM 27.7bn ($11.6bn) in 1981 to DM 51.3bn in 1982.

A major factor behind the increase was automobile industry exports. Of the DM 31bn increase in export sales to DM 427.7bn, DM 10bn came from the automobile industry, which increased export sales to DM 725bn and thus replaced engineering (DM 66.5bn) as the leading export industry.

Big increases in West German exports in general were recorded in Saudi Arabia (38 per cent more) Kuwait (40 per cent more) the Soviet Union (23 per cent up) and the United Kingdom (20 per cent up). Exports to France rose 10 per cent, bringing the West German trade surplus with its neighbour to DM 17.5bn.

The Bundesbank estimates that, in volume terms, world trade declined by 2 per cent in 1982 and that West Germany therefore increased its share of trade again.

Heart risk rises for young executives

BY ARTHUR SANDLES IN LONDON

HEART attacks are catching business travellers younger and younger these days. As young executives are pressed to clinch the deal and cut the costs, so the number of cardiac arrest victims aged 28 to 36 is rising rapidly.

Europ Assistance, the worldwide emergency medical service, says there has been a steady trend towards younger heart attacks for the past five years.

"There is tremendous pressure on the young businessman these days," says Dr Richard Fairhurst, of Europ Assistance. "The pressure is to close the deal but to keep the costs down. At the same time frequent travellers may also be having stress in their marriages."

According to Dr Fairhurst, the theory that the young business traveller, who is sent off at short notice on a crucial sales trip, arrives at the airport a little late after a domestic row over "yet another absence" and then finds his ticket has been made out incorrectly is no myth.

"You see a tremendous amount of stressful behaviour at airports," observes Dr Fairhurst.

Travellers get tired, drink too much and worry about home and job. "Companies put tremendous pressures on people without realising that there may be a human body in the middle of it all," he says.

Apparently the crucial danger time for the business traveller is some 48 hours after departure. At this point he – most such travellers are still male – is at his most tired and is probably under the greatest workload.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	20	68	Dubrovnik	C	12	54	Malaga	S	17	63	Salzburg	F	14	57
Akrotiri	–	–	–	Faro	F	17	63	Malta	F	16	61	Seoul	F	10	50
Algiers	F	19	66	Florence	C	14	57	Manila	S	34	93	Singapore	S	34	93
Amsterdam	F	8	46	Frankfurt	C	12	54	Miami	R	18	64	Stockholm	F	8	46
Athens	F	11	52	Funchal	S	18	64	Milan	R	6	43	Strasbourg	R	11	52
Bahrain	C	23	73	Geneva	R	4	39	Moscow	S	5	41	Sydney	C	23	73
Bangkok	S	32	90	Gibraltar	S	18	64	Munich	F	10	50	Taipei	R	18	64
Barcelona	F	15	59	Guernsey	S	9	48	Nairobi	S	28	82	Tangier	S	16	61
Beirut	F	15	59	Helsinki	C	4	39	Naples	S	13	55	Tehran	–	–	–
Belgrade	S	13	55	H. Kong	R	15	59	New Delhi	S	30	86	Tel Aviv	F	14	57
Berlin	C	11	52	Innsbruck	F	13	55	New York	C	14	57	Tenerife	F	23	73
Biarritz	F	10	50	Inverness	C	9	48	Nice	C	14	57	Tokyo	C	11	52
Blackpool	S	9	48	Istanbul	D	5	41	Oporto	F	14	57	Toronto	C	2	36
Bordeaux	C	8	46	Jersey	S	8	46	Oslo	C	3	37	Tunis	S	19	66
Brussels	C	8	46	Jo'burg	R	28	82	Paris	C	8	46	Valencia	–	–	–
Budapest	F	8	46	Las Palmas	D	24	75	Prague	–	–	–	Venice	R	7	45
B. Aires	S	25	77	Lima	S	29	84	Reykjavik	Sl	1	34	Vienna	S	10	50
Cairo	C	16	61	Lisbon	C	14	57	Rio de J'o	C	31	88	Warsaw	S	8	46
Cape Town	S	26	79	Locarno	Sn	1	34	Rome	F	14	57	Zurich	F	10	50
Caracas	S	31	88	London	S	11	52								
Casablanca	C	12	54	Los Angeles	S	23	73								
Copenhagen	S	5	41	Luxembourg	C	7	45								
Corfu	S	14	57	Madrid	F	13	55								
Dublin	C	8	46	Majorca	F	16	61								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

BNOC pressed to cut oil prices

Continued from Page 1

crude should also be considered in the formulation of contract rates.

Crucial to the negotiations will be the stance of Gulf Oil, until recently BNOC's largest customer, lifting well over 100,000 b/d. Gulf ceased buying crude partly because it was unhappy with the North Sea pricing structure. It is understood that the company, which has the ability to export up to 250,000 b/d of crude from Nigeria, would want to see substantial reduction in UK prices before resuming its North Sea liftings.

The oil industry is still waiting to be told the date from which the new rates of individual Opec members will be effective. Each was left free to decide individually with the proviso that the lower prices should not be retroactive beyond February 1.

Saudi Arabia has not yet made its position clear and Kuwait has not yet decided. The chief delegates of Iran and Venezuela said their new prices would be effective from March 15.

Mr Mohammed Gharazi, Iranian Oil Minister, said on Monday night that the discounts offered would not exceed the extra insurance premiums and other costs arising from the Gulf conflict with Iraq – reckoned by traders now to be $1.25–1.50 per barrel.

There was no immediate reaction on the market to the Opec agreement as traders cautiously awaited further developments, not the least the BNOC decision.

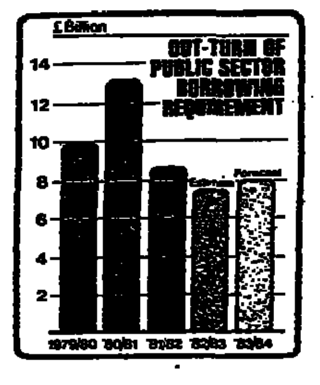
But the spot price for Brent and Forties crude was reported to be up 40-45 cents to $28.50 and $28.40 respectively, while the Nigerian Bonny price was down 30 cents to $27.70.

Sheikh Ali Khalifa al Sabah, Kuwait's Oil Minister, said his country was not going to increase its oil output to meet the new quota agreed by Opec. He said: "We are not going to push crude into the market. If it cannot take it we will not sell it."

THE LEX COLUMN

Sober virtues from Sir Geoffrey

Rarely has a UK Chancellor delivered a budget statement with so much reassuring information travelling across the news wires in the background. As Sir Geoffrey Howe stood up, the FT 30-Share Index was on its way to the highest closing level on record, Opec chiefs were flying out of London's Heathrow airport after putting together a pricing and production agreement which for some days had looked in the balance and the money markets were adjusting to a cut in base rates which had done little damage to sterling.



Easy to hit

This year's activity on the oil and foreign exchange markets had admittedly restricted the Chancellor's freedom of manoeuvre, but he was still in the privileged position of being able to present a generous statement consistent with the fiscal and monetary goals of the Medium Term Financial Strategy.

To the relief of the financial markets, that is very largely what he did. Depsite the odd political sop – of which the most obvious example was the rise in mortgage tax relief – and the fudging of expenditure increases through the contingency reserve, Sir Geoffrey's fifth budget is certainly no exercise in blatant electioneering. Hardly anywhere has expenditure been cut, or revenue increased, in real terms and yet the overall fiscal giveaway – amounting to £1.7bn in 1983-84 from an indexed base – is guaranteed not to ruffle the feathers of the gilt-edged market. Moreover, although the uncertainties in the oil market make the revenue projections more than usually precarious, the assumptions appear to have been made on a conservative basis.

The target of 7 to 11 per cent annual growth in all the main monetary aggregates looks remarkably easy to hit, given the expectation that inflation will be rising only to 6 per cent by the end of the year. So the authorities may be under no great pressure to overfund on monetary grounds.

The forecast of a PSBR totalling £8.2bn is bang in the centre of outside expectations and, with sales of National Savings expected to hold at around £3bn, the Government Broker could conceivably escape with not funding through the gilt-edged market of £3bn or less in the next fiscal year. Even allowing for a relatively high figure for redemptions – of £6.6bn – the requirement should be met quite easily through index-linked and shorter-dated conventional stock alone. The gilt-edged market can be expected to bid aggressively for this morning's new tap, which could start at a premium of a point or more, although after all the recent euphoria there must be a strong temptation to take profits.

The equity market had already discounted the boost to consumer demand before the Chancellor stood up. So the main reactions were to tax changes made – or, in the case of banks, not made. Sir Geoffrey turned his back on the opportunity for radical reform of corporation tax; such tax changes as have been made are very specifically targeted and will be more important for individual companies than for sectors. Labour-intensive engineers will do well out of the further cut in the NIS, as well as the change allowing ACT to be set off against more foreign income. This measure, costing the Exchequer about £100m, means that companies will no longer be so inhibited on dividend pay-out when they have high overseas earnings relative to those in the UK. BAT and Redland are among the companies to benefit.

Most building stocks were marked fractionally down, which was a measure of how confidently the market had anticipated a ceiling on mortgage tax relief of £35,000, rather than £30,000. Conversely, banks and brewers gained a few pence after the Chancellor had ruled out a special tax on banking profits and restricted himself to neutral liquor duty increases. Just one penny on the pint was a particular relief for the cider makers. Oils were the one sector showing a broad advance in the late afternoon, however, with the independent companies like Lasmo doing well and Britoil gaining 4p to 54p.

For the oil industry the Chancellor has effectively announced a reformed tax regime for the development of the second generation North Sea fields. Without the development of these fields, the UK's present oil surplus could disappear by 1988, yet many are so small and difficult to exploit that they have begun to look increasingly marginal in the present era of falling oil prices.

The changes help the smaller fields both by straightforward tax reductions and a shift in the tax weighting from the front-end development phase to the mature production period. Abolition of royalties on future fields gives an effective 14 per cent gain in revenue, while the doubling of the tax-free oil allowance against Petroleum Revenue Tax (PRT) brings this relief to around 20,000 barrels a day. Some of the new fields will probably have an output of only 10,000 to 15,000 b/d more than that. At the same time, the phasing [illegible] of Advanced PRT, while [illegible] cash flow in the early stag[illegible]roduction, will mean a redu[illegible]wback against full PRT in the [illegible] stages of output. The most ob[illegible] beneficiaries of these reforms should be the smaller companies, of the likes of Clyde Petroleum, Charterhouse Petroleum, or even Britoil, but the measures could go some way to restoring the stock market's former enthusiasm for North Sea companies in general.

Tax havens

The broadening of the business start-up scheme – along with the other concessions to small business – should at last promote real interest in this area, producing some heavyweight competition for Electra Trust, the market leader in financing start-ups. It may also add to the frothy sentiment on the Unlisted Securities market.

On tax havens, the Government has relaxed further in response to criticism by delaying implementation until next year, partly to give companies time to receive guidance from the Revenue on whether their arrangements pass muster. The list of "non-low-tax" countries is comfortingly large, although [illegible] marks hang over Ireland, the Netherlands and Luxembourg. [illegible] still looks as if the Antilles will remain a favoured home for issuing Eurobonds, however. While gross payments will now be allowed on those issued in the UK, the Chancellor has not relaxed the strict regime for obtaining income gross. By contrast, the ingenious proposals for taxing deep discount bonds – relying on cash flow benefits in a similar way to leasing – may help the market catch on. The concession may be worth a percentage point on yields.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday March 16 1983

Citicorp ahead in Brazil despite debt difficulties

BY WILLIAM HALL IN NEW YORK

CITICORP, the biggest bank holding company in the U.S. made more money than ever before in Brazil last year, despite the country's well publicised financial problems which are forcing it to restructure part of its international debt.

Income, before securities transactions, of Citicorp's Brazilian operations jumped by 46 per cent to $153m in 1982. The country now produces over a fifth of Citicorp's profits, even though it accounts for less than 5 per cent of total assets.

Brazil has long been Citicorp's most profitable overseas operation, but, in 1982, the group's local operations excelled themselves. Citicorp's 1982 annual report underlines the scale of the U.S. bank's involvement in Brazil – the biggest of any international bank.

Citicorp's Brazilian revenues rose 35 per cent to $422m last year, and income before taxes and securities transactions rose 54 per cent to $287m.

Citicorp's average assets in Brazil grew by 11.3 per cent to $5.6bn and its return on assets rose by a quarter to 2.74 per cent. Based on this measure, Brazil is five times as profitable as the rest of Citicorp's operations.

Citicorp is more heavily involved in Brazil than in any other developing country. Some 4 per cent of the group's $109bn of outstanding advances are tied up in foreign currency loans to Brazil.

Citicorp goes to some length in its annual report to put the scale of its international lending in context.

It notes that outstanding loans to overseas governments and official institutions only averaged $3.2bn in 1982, and says that loan losses on this type of lending are well below those on private sector loans.

It outlines recent efforts to solve the financial problems of Brazil, Mexico and Argentina, and concludes that "these and other developments will satisfactorily resolve the countries' liquidity problems." Citicorp says that although no absolute assurance can be given, it believes these problems will not ultimately have a material adverse effect on the corporation's financial condition.

Texas General seeks protection

BY OUR NEW YORK STAFF

TEXAS GENERAL Petroleum, a wholly-owned subsidiary of Texas General Resources, yesterday became the latest U.S. oil service company to file for protection from its creditors under Chapter 11 of the U.S. bankruptcy code.

The company said it had filed under Chapter 11 after it had failed to reach agreement with its major creditors on a debt restructuring plan.

The parent company, which had assets of about $40.9m at the end of September, said it expects a consolidated after-tax loss for the full year of more than $20m. This is mainly due to the effects of a write-down of oil and gas properties in the Anadarko Basin, substantial operating losses from international drilling services, its drilling subsidiary, and a write-down of inventory and bad debts as well as interest costs on its consolidated debt.

At the end of the third quarter the company listed long-term debts of $88.3m.

Explaining the decision of Texas General Petroleum to seek protection, the parent company said the problems encountered were caused by falling natural gas demand, declining oil prices and acute cash-flow problems from a number of companies in the Anadarko Basin.

Dow reduces outstanding debt by $700m

By Richard Lambert in New York

DOW CHEMICAL slashed its capital spending last year to the lowest level since 1973, and reduced its outstanding debt by $700m to $3.8bn. It shed about 7,200 jobs, and an expense-control programme yielded savings of about $300m.

Outlining what he described as a year of "transition, streamlining, realignment" in a letter to shareholders, Mr Paul Oreffice, president and chief executive, said the debt-equity ratio fell from 48 per cent to 43 per cent over ther year.

Inventories were cut by $367m, and the group's average operating rate was just 65 per cent.

Martin Marietta sells four cement plants

BY PAUL TAYLOR IN NEW YORK

MARTIN MARIETTA, the U.S. aerospace, aluminium and construction materials group, has reached agreement in principle to sell four cement plants for £100m to Blue Circle Industries of the UK and Cementia Holdings of Zurich.

The company said that Blue Circle and Cementia, a cement investment company, are expected to acquire the plants through a joint venture under which Blue Circle will run the plants. The four plants are in Tulsa, Oklahoma; Davenport, Iowa; Roberta, Alabama; and Atlanta, Georgia.

All four plants are coal fired and have a total capacity of about 3m tonnes a year including 300,000 tonnes of lime.

Martin Marietta said it will continue to operate cement plants in West Virginia, Colorado and Utah.

Blue Circle is the largest cement maker in the UK – with about 60 per cent of the US market – and among the largest in the world with operations on five continents and interests in 48 cement plants.

Cementia has cement investments in several parts of the world and has been associated for many years with Blue Circle in joint investments and trading activities in Kenya, Indonesia, the Middle East and South America.

Bos Kalis in talks on assets in Argentina

By Walter Ellis in Amsterdam

BOS KALIS Westminster, the Dutch construction group, has moved to protect between Fl 400m and Fl 500m ($188m) of its own assets and financial guarantees now tied up in a gas pipeline project in Argentina.

The company wants all the money to which it has title in Argentina to be converted into a single loan guaranteed by the Argentinian state.

Talks are going on with the Argentinian Central Bank, Gas del Estado (the state gas corporation) and the relevent commercial banks so that the total financing of the project can be placed under the supervision of Amsterdam-Rotterdam Bank (Amro) and its partners.

Bos Kalis won the contract to build the 2,600 km pipeline in 1979. At the time it was seen as a considerable triumph. Today, however, while the project itself has been largely completed ahead of schedule, the debt problem has become steadily more complex.

Bos Kalis emphasises that interest repayments are up to date after a difficult period in 1982, but it is clearly concerned that future repayments of capital should be as firmly controlled as possible.

Total bank financing of the project to date is put at about Fl 1.5bn, covered by the Dutch Credit Corporation (NCM). Including cover against interest repayments, the total credit ceiling is some Fl 2bn, all posted in cash by the NCM.

Bos Kalis's investment in the project includes a guaranteed stand-by credit of U.S. $75m and loans to Cogasco, the Argentinian contract organiser, of nearly U.S.$ 100m.

Part of the loan – from Bos Kalis's own resources – was made necessary by the outbreak last spring of the Falklands war. Loans to Argentina were blocked at the time and Cogasco was temporary unable to meet its obligations.

If the talks now going on are successful, Bos Kalis could have its desired reworking of the debt position agreed in the next three to four months.

NatWest profits slide 11% as recession bites

BY ALAN FRIEDMAN, BANKING CORRESPONDENT, IN LONDON

NATIONAL Westminster Bank, the last of the Big Four commercial banks to report 1982 results, yesterday announced an 11 per cent drop in pre-tax profits, to £439m ($663m). Shares in London fell 2p to 600p last night after the news.

The bank also revealed an increase in bad debt provisions from £42m in 1981 to £229m last year.

"The recession has hit the bank's lending portfolio quite hard," Mr Robin Leigh-Pemberton, NatWest chairman, said later.

Bank executives said the bad debt figure was something misleading as the previous year had included significant recoveries on earlier provisions. Analysts said the NatWest provisions were in line with those of the other banks.

Total bad debt provisions among the Big Four clearers amount to £962.3m for 1982, more than double the 1981 total of £381.3m and slightly above City of London expectations.

NatWest's specific bad debt provisions were £188m, of which £120m came from the domestic side, and £68m from international loans. The chairman said UK domestic banking had been hit by the provisions, by lower interest rates and sluggish growth in current and time deposits. Pre-tax profit from the UK clearing bank operation is believed to have been less than £200m out of the total £439m.

The UK parent bank found it necessary to rely increasingly on the wholesale money markets, which accounted for £5.9bn or 37 per cent of its total deposit book in 1982, up from 29 per cent in 1981.

Current accounts provided only £4.9bn, or 32 per cent, a drop from 37 per cent in 1981. Seven-day deposits supplied 30 per cent (£4.7bn).

NatWest raised its 1982 total net dividend by 15 per cent to 29p and Mr Leigh-Pemberton said the board had not disregarded guidance from the Bank of England on dividend rises. He said the advice by Mr Peter Cooke, head of banking supervision, that banks might limit dividend payments in order to conserve resources applied to "all banks except those who felt strong enough not to feel anxiety."

Details, Page 28; Lex, Page 24

The Big Four Clearers: 1982 Results*

	Pre-tax profits		Total Bad Debt Provisions	
	1982	1981	1982	1981
Lloyds	£315.9m	£365.6m	£218.9m	£85.7m
Barclays	£495.2m	£566.6m	£318.3m	£140.1m
Midland	£251.4m	£232.2m	£196.1m	£113.5m
Natwest	£439m	£494m	£229m	£42m

* In order of preliminary reports

Strike hits HDW over Hamburg job fears

By Jonathan Carr in Bonn

PART of the Hamburg labour force of Howaldtswerke-Deutsche Werft, West Germany's biggest shipbuilding concern, stopped work yesterday to demand an explanation of management rationalisation plans.

According to Hamburg city-state government officials HDW is considering giving up construction of new vessels in Hamburg and concentrating instead on repairs and engineering work there. The measure could mean the loss of more than 2,000 of HDW's 4,000 Hamburg jobs. The company has just under 12,000 employees in all.

The company declined detailed comment – but said its executive board had prepared a report on how HDW could be placed on a sounder footing. The report would be discussed by the supervisory and shareholders probably either at the end of March or the start of April.

U.S. retailers enjoy fourth quarter boost

BY OUR NEW YORK STAFF

A CLUTCH of U.S. retailers yesterday reported generally strong earnings for the fourth quarter ending in January. Net income at Toys "R" U.S., the nation's largest speciality retailer of toys, rose from $41.9m to $52.5m in the three months, on sales up from $429.3m to $545.5m.

The group's net income for the full year climbed from $48.9m to $64.2m, or $1.75 a share. Sales exceeded the $1bn mark for the first time.

Meanwhile, Carter Hawley Hale, the Los Angeles-based department store group, said that net earnings in the fourth quarter jumped by 51 per cent to $37.3m, and that a further improvement was in view for this year.

Allied Stores, another major department and speciality store group, reported a rise from $58.5m to $70.5m in net income during the final quarter. Full year earnings were up from $88.3m to $90.7m or $4.41 a share, helped by a $3.6m gain on a debt-equity swap.

Jewel Companies, which is the seventh largest U.S. supermarket chain, reported a fall from $34.2m to just under $30m in the fourth quarter of its financial year. The group has been hit by devaluations in Mexico, where 12-month earnings from its affiliate dropped from $31.9m to $23.9m.

BASE LENDING RATES

A.B.N. Bank	10½%	■ Hambros Bank	11 %
Allied Irish Bank	11 %	Hargrave Secs. Ltd.	10½%
Amro Bank	10½%	Heritable & Gen. Trust	11 %
Henry Ansbacher	10½%	■ Hill Samuel	§11 %
Arbuthnot Latham	11 %	C. Hoare & Co.	†11 %
Armco Trust Ltd.	10½%	Hongkong & Shanghai	11 %
Associates Cap. Corp.	11 %	Kingsnorth Trust Ltd.	12 %
Banco de Bilbao	11 %	Knowsley & Co. Ltd.	11½%
Bank Hapoalim BM	11 %	Lloyds Bank	10½%
BCCI	11 %	Mallinhall Limited	10½%
Bank of Ireland	11 %	Edward Manson & Co.	12 %
Bank Leumi (UK) plc	11 %	Midland Bank	10½%
Bank of Cyprus	11 %	■ Morgan Grenfell	10½%
Bank Street Sec. Ltd.	10½%	National Westminster	10½%
Banque Belge Ltd.	11 %	Norwich Gen. Tst	10½%
Banque du Rhone	12 %	P. S. Refson & Co.	11 %
Barclays Bank	10½%	Royal Trust Co. Canada	11 %
Beneficial Trust Ltd.	12 %	Roxburghe Guarantee	11½%
Bremar Holdings Ltd.	12 %	Slavenburg's Bank	11 %
Brit. Bank of Mid. East	11 %	Standard Chartered	‖10½%
■ Brown Shipley	11 %	Trade Dev. Bank	11 %
Canada Perm't Trust	11½%	Trustee Savings Bank	11 %
Castle Court Trust Ltd.	11 %	TCB	11 %
Cayzer Ltd.	11 %	United Bank of Kuwait	10½%
Cedar Holdings	11 %	Volkskas Intl. Ltd.	10½%
■ Charterhouse Japhet	11 %	Westpac Banking Corp.	11 %
Choulartons	11½%	Whiteaway Laidlaw	11½%
Citibank Savings	¶ 9 %	Williams & Glyn's	10½%
Clydesdale Bank	10½%	Wintrust Secs. Ltd.	11 %
C. E. Coates	12 %	Yorkshire Bank	10½%
Comm. Bk. of N. East	11 %		
Consolidated Credits	11 %		
Co-operative Bank	*10½%		
The Cyprus Popular Bk	11 %		
Duncan Lawrie	11 %		
E. T. Trust	11½%		
Exeter Trust Ltd.	11½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13 %		
Robert Fraser	11½%		
Grindlays Bank	‡10½%		
■ Guinness Mahon	10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8%. 1-month 8.25%. Short-term £8,000/12-months 10.6%.
† 7-day deposits 7.5%. 1-month 7.25%. Short-term £8,000/12-months 10.1%.
‡ Call deposits £1,000 and over 7½%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 8%.
¶ Mortgage base rate.

LONDON RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1982/3 High	1982/3 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
140	F.P.	15/4	145	132	✣Airship Inds...	138	−1	—	—	—	—
112	F.P.	16/3	147	129	Assoc. British Ports	145	+2	b7.0	1.5	6.9	15.7
—	F.P.	—	100	100	Atl'tc M'trp'n U.S.0.10	100	..	Q80	0.6	5.3	33.9
$100	F.P.	22/4	105	100	Br. Kidney Pat. As.	105	..	—	—	—	—
$74	F.P.	21/1	158	103	✣Canvermoor	140	....	b3.64	2.0	3.7	15.9
‖ ‖	F.P.	15/4	220	205	✣Grainger Trust	208	−2	u3.8	2.5	2.6	19.9
$38	F.P.	8/4	112	89	✣HB Elect Comps 10p	97	−5	u1.12	3.2	1.7	21.8
$190	F.P.	4/3	388	305	✣Microgen	360	..	b4.0	2.9	1.6	29.7
$155	F.P.	7/1	255	198	✣Munford & White	225	−5	b2.6	2.4	1.7	35.6
$95	F.P.	4/2	198	145	✣Resource Tech. 10p	155	−2	—	—	—	29.8
‖ ‖	F.P.	—	110	85	✣Sinclair (Wm.)	88	.....	‡4.25	1.0	6.9	21.3
‖ ‖	F.P.	—	105	5	Do. Defd.	77	...	—	—	—	—
175	F.P.	25/3	303	253	Superdrug Stores 10p	260	......	bd3.5	2.4	1.9	30.7
120	F.P.	—	125	100	✣Swindon Priv Hos £1	105	...	—	—	—	—
$10	F.P.	11/3	29	22	✣Tele.Services Int 10p	26	+½	b0.2	5.5	1.1	39.8
$72	F.P.	30/3	110	89	✣Utd. Packaging 10p	110	+2	b2.5	3.2	3.3	11.7
$150	F.P.	18/2	340	265	✣WightCollinsR-S10p	280	..	bd2.75	3.3	1.4	31.2
—	F.P.	3/3	25	20	Yorks & Lancs. W'rrnts	20	...	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982/3 High	1982/3 Low	Stock	Closing price	+ or −
97.504	F.P.	4/3	102	88¼	BOC 12¼% Uns. Ln. 2012-17	96½	+1¼
99.451	£20	10/4	21⅞	12	Birmingham 11½% Red. 2012	18½	+1¼
¶100	£10	9/6	10¾	10¾	E.WorcestershireWater 7% Rd. Prf.1990	10¾	..
**3	F.P.	31/3	224p	180p	Electro-Protective 7% Cnv. Prf.	172p	..
18	£25	30/6	25½	24¼	Hambros Inv. 6-17% Stpd. Deb. 2018	25½	...
¶	F.P.	29/7	100½	100	Mid Sussex Water 7% Red. Pref. '88-90	100¼	......
—	—	—	100⅝	99	Nationwide Bdg. Soc. 11⅞% Bds. 23/1/84	100⅜	....
—	—	—	100½	100	Do. 11⅞% Bds. 15/2/84	100⅝	..
—	—	—	100	100	Do. 11¼% Bds. 19/3/84	100	...
$97.174	£25	6/5	30¼	22	Pearson (S) 13% Uns. Ln. 2007	30¼	+1¼
¶100	£10	9/6	12	12	Sutton Dist. Water 7% Pref. 1988	12	...
96.55	£25	8/7	31⅞	23½	Sweden 13½% Ln. Stk. 2010	31⅞	+⅞

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982/3 High	1982/3 Low	Stock	Closing price	+ or −
250	F.P.	26/2	29/4	342	273	AGB Research 10p	340	−2
‖140	Nil	25/3	15/4	12½pm	4pm	✣Airship Inds.	4pm	...
280	Nil	25/3	25/4	94pm	85pm	Applied Computer	92pm	−2
3½	Nil	4/3	28/3	18pm	9pm	Audiotronic 2½p.	17pm	−½
11	Nil	—	—	2¾pm	1pm	✣Berkeley & Hay Hill Invs 10p	2¾pm	+1¾
50	F.P.	8/2	9/3	55	45	Cluff Oil 'B'	48	..
73	F.P.	7/3	15/3	105	85	Dominion Int. 20p	94	+1
102	Nil	—	—	12pm	11pm	✣Garfunkels 10p	12pm	+½
163	F.P.	11/3	10/6	183	171	Geers Gross 10p	178	.....
80	F.P.	21/2	7/4	156	150	Grosvenor Group	156	......
140	Nil	28/3	6/5	54pm	40pm	Magnet & Southerns	54pm	+2
25	F.P.	18/3	25/4	29	24	Mettoy	24	...
27	F.P.	21/7	7/4	36	32	Mount Charlotte 10p	36	+½
A$1.50	Nil	—	—	57pm	40pm	North B. Hill 50c	40pm	−2
60cts	F.P.	11/5	—	38	34	Rand Lon. Corp. 15cts	37	+1
58	F.P.	3/2	29/4	73	61	Stakis 10p	72½	..
400	F.P.	4/3	22/4	490½	426	Ultramar	475	+15
81	Nil	28/3	6/5	31pm	26pm	Valor	30pm	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1983. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holder's of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. ⌈⌉ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✣ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under special rule.

INTERNATIONAL COMPANIES and FINANCE

Australian Philips dips into the red

By Michael Noel-Thompson in Sydney

PHILIPS INDUSTRIES Holdings, the Australian electrical and white goods manufacturer controlled by Philips of Holland, recorded a 1982 loss of A$10.2m (U.S.$8.9m) compared with a profit in 1981 of A$11.1m.

Directors cited the Australian recession as the main cause of the group's troubles occurred in the intense competition and slim margins in local markets, plus sharp wage increases and shorter working hours.

Almost all the company's troubles occured in the second half. In the first half, there was actually a small profit, of A$7,000. Turnover for the year was 4 per cent higher, at A$464m.

No dividend will be paid. The dividend for 1981 was 5 cents per share. Interest payments soared by 44 per cent, to A$13m, but the group realised an extraordinary profit of A$2.5m on property sales. Depreciation costs were A$10.1m against A$11.1m previously.

● Burns Philp, the diversified Australian shipping trading and industrial group, saw a 14.3 per cent fall in net profit for the six months to last December 31, from A$6.6m to A$5.6m (U.S.$4.9m). As a result, it has trimmed its interim dividend from 10 cents a share to 7.5 cents a share.

Pre-tax profits were 50 per cent higher at A$19.5m, but tax was 72 per cent up at A$9.4m. Group sales were A$620m, up 13.5 per cent.

IBM Japan aims to boost sales with new computer

BY YOKO SHIBATA IN TOKYO

IBM JAPAN, a wholly-owned subsidiary of the U.S. parent company, yesterday launched a multifunction computer with its Japanese language word processing facility. The unveiling of the system, the IBM 5550 multistation, is part of the company's aggressive strategy for entering Japan's large office automation equipment market.

The system, which is being manufactured by Matsushita Electric Industrial, and is due to be marketed from June at about Y990,000 ($4,195) for the basic configuration and, on the basis of its IBM 5550 prospects, the company is forecasting a 25 per cent rise in sales this year. In 1981 IBM Japan had 27.6 per cent of the Japanese computer market.

Since last spring IBM has made a substantial change in its sales strategy in Japan, revising its rigid traditional marketing policy to one more suited to the market. The company has shifted its stress to small-sized business computers and office automation equipment. One of the biggest changes was the introduction last year of a low-priced small business computer (the IBM system 23) marketed through outside sales agents, a radical move away from its former exclusive direct sales policy.

Meanwhile, IBM's competitors, Fujitsu and Nippon Electric Company (NEC), are projecting that their 1983 sales will increase by 20 per cent. IBM's aggressive sales target reflects its aim to regain the leading position in the share of installed general purpose computers in Japan.

Last year IBM Japan reportedly fell behind Fujitsu for the first time.

Kuwait investment house record

BY KATHLEEN EVANS IN KUWAIT

THE KUWAIT Foreign Trading, Contracting and Investment Company (KFTCIC) showed a record profit in 1982 of $33.6m, compared with $28.5m in 1981.

KFTCIC's total assets grew by $635m, representing a 31 per cent growth for the company during the year. On the liabilities side, fixed deposits increased to $1.9bn compared with $1.5bn in 1981, an increase of 24 per cent. On the assets side, time deposits reached $776m while loans and other securities went up to $1.07bn compared with $752m previously.

According to the company, the volume of loans handled fell from 40 deals totalling $5.5bn in 1981 to $3.5bn last year.

Of the deals, about half went to the local Kuwait and Gulf area, though total local exposure did not exceed $171m on the international side. Exposure to South American borrowers was only "minimal," though loans had been made to Argentine, Mexican and Brazilian institutions.

On the bond side, the company lead managed five issues, co-lead managed two and co-managed 26. The nominal value of these issues amounted to $2.6bn, virtually the same as in the previous year. As an ordinary underwriter, KFTCIC participated in 113 issues, in which the aggregate commitment of the company amounted to $240m compared with $309m in 1981.

KFTCIC also held a number of post-dated cheques arising from stock exchange trading on the Kuwaiti market. However, officials said the amount was insignificant. Provisions made by the company for changes in the values of securities and doubtful investments had been increased to $44.3m, from $21.6m in the previous year.

KFTCIC is now 93 per cent owned by the Kuwait Government, following substantial share purchases by the Ministry of Finance on the official Kuwait stock exchange. This compares with 83 per cent in 1981.

The institution is due to play a major role in the solution of the Souk Al Manakh unofficial stock exchange crisis.

JF Special adjusts bid terms

By Robert Cottrell in Hong Kong

JF SPECIAL HOLDINGS, the Hong Kong investment trust, has adjusted the terms on which it plans to "spin-off" a subsidiary for which a bid will then be made by First Pacific, part of the Indonesian Liem family's financial empire.

The net asset value per share of the new subsidiary, which is to be called Jafpac, will be 85 Hong Kong cents, while the net asset value of the residual JFSH shares will be 80 cents. These values have been revised upwards as JFSH's portfolio value has risen. They are now based on its unaudited net asset value as of February 28. JFSH is also adjusting the terms on which its warrants may be exercised, to reflect the Jafpac deal.

Strong advance at Levingston

By Georgie Lee in Singapore

FAR EAST LEVINGSTON, the rig-building subsidiary of the Keppel Shipyard group of Singapore, has reported a 56.5 per cent rise in group pre-tax earnings to S$66.9m for 1982.

Group net profit rose by 33 per cent to S$41.5m. Earnings rose despite a 17 per cent fall in production revenue to S$314.7m.

The group gave no explanation for the decline in production revenue.

Far East Levingston has declared a first and final gross dividend of 25 per cent, which is higher than the 13.9 per cent paid previously after adjusting for a scrip issue.

INTERNATIONAL APPOINTMENTS

Mr Richard Berger joins Walt Disney

● WALT DISNEY PRODUCTIONS is forming a subsidiary that will be responsible for all motion picture and television production and marketing. Mr Richard L. Berger has become president of this subsidiary. He was senior vice-president, worldwide production, 20th Century-Fox Pictures. Mr Berger will have overall responsibility for all theatrical and television production, assuming the duties formerly held by Mr Ron Miller who has been elected president and chief executive officer of Walt Disney Productions. Mr Tom Wilhite, vice-president of motion picture production, and Mr Bill Yates, vice-president television production will join the subsidiary and report directly to Mr Berger.

● LOCKHEED CORPORATION has appointed Mr Daniel M. Tellep as executive vice-president of the Lockheed Missiles and Space Company and a corporate vice-president. Mr Tellep was vice-president and assistant general manager of LMSC's advanced systems division. He succeeds Mr James W. Plummer who retired on February 28.

● REYNOLDS METALS COMPANY has established an office of the chairman and elected Mr John E. Blomquist, vice-chairman, and Mr William O. Bourke to succeed Mr David P. Reynolds as president and chief operating officer. The office of the chairman will consist of Mr Reynolds, Mr Blomquist and Mr William S. Leonhardt, vice-chairman and chief financial officer since 1979, and Mr Bourke.

● HARCOURT BRACE JOVANOVICH, INC. has elected Mr Ralph D. Caulo a director and promoted him to the office of the president as an executive vice-president. Mr Caulo has also been appointed director of the school department as the successor to Mr Keith A. Fuller who died recently. Under Mr Caulo's supervision is the school department, The Psychological Corporation, Beckley-Cardy, Coronado Publishers, and Weber Costello.

● SUN COMPANY has elected Mr Bruce C. Lindsay, group vice-president, industrial services group. Mr Lindsay has been corporate vice-president, and responsible for a number of Sun's non-energy businesses.

● AMERICAN SECURITY BANK has appointed two senior vice presidents: Mr William T. Duncan has been elected a senior vice president in the real estate division. Mr Duncan served four years with Virginia National Bank before joining American Security in 1978 as assistant vice-president. In 1979, Mr Duncan was elected vice-president of the holding company division and serves as a senior real estate officer. Mr John M. Sanders has been elected a senior vice-president and general auditor in the audit division. Mr Sanders served nine years with the Federal Reserve Bank in Philadelphia and seven years as general auditor with Philadelphia National Bank, before joining American Security in 1979 where he has served as general auditor and division head of the audit division.

● Mr William J. Voute has been elected to the board of directors and named executive vice-president of PHIBRO-SALOMON INC succeeding Mr J. Ira Harris, who relinquished his management responsibility on February 17. Mr Voute is a managing director and member of the executive committee of Salomon Brothers Inc, the company's international investment banking, market making and research firm.

● Mr Edward C. Baird has been appointed vice-president—finance for AMAX IRON ORE. Mr Baird will also assist Mr Karl G. Bergman, president of the Amax Pacific Basin division, in co-ordinating financial matters. Mr Baird will be based in Greenwich, Connecticut, U.S.

● Mr Guy Sancerres, an assistant general manager of Banque Nationale de Paris, has been appointed managing director of EURO-FINANCEIRA SOCIEDADE DE INVESTIMENTOS, in Lisbon, a subsidiary of Banco de Fomento Nacional and the BNP Group. Mr Gaspar Prata Dias has been appointed deputy managing director.

● Mr Klaus Jacobs, managing director and vice-chairman of Jacobs Suchard, is to be nominated on June 15 for board membership of BANK JULIUS BAER, Zurich. Dr Jakob Zgraggen has joined the bank's management with responsibility for the loans department and certain central services.

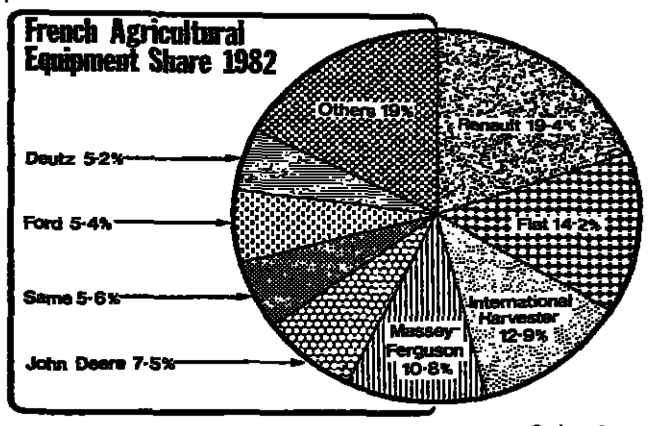
● Baron Philippe Lambert is to succeed Mr James A. Oliet on June 1 as general manager of BANQUE BRUXELLES LAMBERT (SUISSE), Geneva. Mr Pierre Stonborough will become deputy general manager in April.

هكذا صدر الأصل

France joins with multinationals to boost farm equipment industry

THE components are in place for a major overhaul of the farm machinery industry in France—Europe's largest market for agricultural equipment with sales of nearly FFr 13bn ($1.9bn) last year and a key field of competition between North American manufacturers and their European rivals.

The issue is the subject of growing debate about state intervention in the reorganisation of this troubled sector involving the unlikely combination of M. Mitterrand's Socialist Government teaming up with two North American multinational companies and encouraging collaboration between them and the domestic industry. This unusual alliance is worrying other manufacturers, who see it as a solution, putting a protectionist stamp on the French agricultural market.



Graham Lever

The reorganisation, after some 15 months of discussions between the large but financially troubled manufacturers of agricultural machinery, is being orchestrated by the French Government now involved directly in all three of the country's leading farm equipment makers. It owns Renault, which holds the largest share of the domestic tractor market; it and state financial institutions injected last year about $60m into the French subsidiary of International Harvester, the financially-troubled Chicago farm equipment and truck maker, and it has just announced it is taking part in the latest refinancing of Massey-Ferguson by joining in with a group of banks led by Société Générale to pump nearly $50m into the Canadian company's French subsidiary.

Industry ministry officials say the Government also encouraged talks between manufacturers to consider forming joint ventures in France. An agreement was struck earlier this month between IH and Massey to study ways to collaborate in France in the parts and components segment. But the Industry Ministry has a long cherished dream of seeing Renault emerge as the focal point of the French agricultural machinery industry.

The concept of a French farm machinery industry centred around Renault has been around since the end of the last war. But it found new life after the election of President Francois Mitterrand in 1981, under M Pierre Dreyfus, the former Socialist chief of Renault, who became Industry Minister, and then resigned to make way for M Jean-Pierre Chevenement.

Originally, the idea was to build a strong domestic manufacturing industry to challenge *Massey and IH, which had both* implanted themselves on the French market in the early part of the century. Until the mid-seventies, Massey dominated the French market.

Massey was overtaken by IH and subsequently by Renault, which in turn has now taken over the leadership. Last year, the two North American companies saw their French market share slip further, with Fiat of Italy, a rising star in the business, aggressively gaining ground.

Fiat last year took the second largest share of the French market, with 14.2 per cent, behind Renault with 19.4 per cent. Behind came IH with 12.9 per cent, Massey with 10.8 per cent.

The latest revival of the Renault concept, however, appears to form part of a broad strategy to salvage the industry in France. Worried about the future of the domestic industry and jobs at a time when most manufacturers, large and small, have been swimming in pools of red ink, the Government encouraged talks between the various manufacturers. The sector's employment trend was troubling. The industry employed 34,700 people last year. At its peak in 1974, it was employing 45,618 people. Also the manufacturers themselves were beginning conversations on rationalising their operations in the face of a market troubled by overcapacity and stagnant demand.

Interestingly, but not altogether surprisingly, Renault has been by far the most taciturn of all the parties about the current discussions. The feeling is that Renault is far from enthusiastic about the *prospects of becoming the* centrepiece of any widespread reorganisation of farm machinery in France. Its time and resources are also engaged with its motor car sector and its U.S. car investments.

IH and Massey seem keener on advancing the current talks to try to develop new forms of collaboration and joint ventures. In their respective reorganisations in Europe so far, the two companies have decided to concentrate on agricultural machinery, attempting to *rationalise their production and* abandoning the construction equipment business.

For IH, the French cash injection has gained time. Although IH has considered the sale of its European agricultural interests to raise cash, it has also contemplated forming a new French company in which it would retain an interest jointly with another or other groups. But it has committed itself as part of last year's French state financing package to maintain at least 3,300 jobs in France until 1985. IH, which employed in France about 4,500 people, has been scaling down its workforce to about 3,500. French government officials, however, believe IH will hang on to its business in France, especially if the market is seen to improve and collaboration deals to rationalise production are made.

With its French cash injection, Massey is expected to go ahead with its plans to produce a new range of medium-sized tractors in France. Massey has been concentrating in recent months on its one relatively new product, the 2000 series of tractors (93-126 h.p.) which are in the top range for the European market and in the medium range for North America.

Massey plans to export about 1,800 tractors made in France to the U.S. this year, including some smaller 600 series (66-88 h.p.) models. These would fill the gap left by Massey's decision to halt production in the U.S. But important as the bigger tractors are, they represent only about 10 per cent of the industrialised countries' farm equipment market, compared with about 45 per cent for the medium sized 60-90 h.p. range of tractors. These in North America are regarded as small. Massey, despite its financial problems, has maintained research and development spending to develop a new medium range of tractors. The French cash injection will enable it to bring the range into production in the next 24 months.

The range would serve both the French and export markets. Massey, which employs 4,500 people in France and exports as much as 62 per cent of its French production, total sales of which were FFr 2.3bn last year, does not appear to have any immediate plans to scale down its workforce. But as in the case of IH, there could well be some manpower cuts at Massey later this year, especially if Massey's old plant at Marquette-lez-Lille, which makes harvesting equipment, is restructured. *The Marquette* plant, which is barely 10 kms from IH's plant at Croix, is currently at the centre of the reorganisation talks.

The farm equipment market in France saw a modest pick-up last year, with a 3.5 per cent real increase in sales to FFr 12.9bn, compared with the year before. But with the overall outlook for the industry remaining bleak because of the huge overcapacity in the marketplace, the French authorities are expected to keep pressing for a solution to save as many jobs as possible, at the same time as rationalising the domestic industry as best as circumstances and politics allow.

Paul Betts

UK COMPANY NEWS

NatWest profits down at £439m

WITH CHARGES for bad and doubtful debt provisions up sharply from £42m to £229m, National Westminster Bank made lower taxable profits of £439m for 1982, against £494m previously. First-half pre-tax figures had *risen from £197m to £214m.*

Mr Robin Leigh-Pemberton, the chairman, states that against difficult economic conditions at home and abroad the 1982 result is excellent. An increased operating profit before provisions reflects the *continued strength of* the business, he says, and this has enabled the group to maintain its policy of steady dividend *growth with a 15 per cent* increase for the year.

The dividend total is thus raised from 25.2p to 29p net per £1 share, with a higher final of 18.4p (15.575p).

Stated earnings per share dropped from 183p to 167p, after a lower tax charge of £37m (£57m). Profits attributable to ordinary holders however, were up from £333m to £398m, including an extraordinary credit of £1m (£99m debits).

Referring to the bad and doubtful debt provisions, the chairman says that although the 1982 charge to profits is higher, the cumulative provision at 1.3 per cent of total group advances *is only slightly ahead of previous* experience.

The adverse impact of provisions lower interest rates and sluggish growth in current and time deposits led to a lower contribution from UK domestic banking. These *factors* were partly offset by higher commission incomes and increased demand for advances which *resulted in domestic banking* contributing 50 per cent (56 per cent) of group profits before loan stock interest.

The international banking side achieved higher profits from growth in volumes and the benefit of increased foreign exchange earnings, together with an improved performance from subsidiaries, including the National Bank of North America. The proportion of group profits derived from international banking rose to 36 per cent (31 per cent).

The board is satisfied that adequate provision has been made for the group's loan portfolio overseas.

Related banking services again increased their contribution to 14 per cent (13 per cent)

Commenting on recent proposals to create a new international banking "lifeboat" Mr Ron Bennie, general manager in *charge of international banking,* said "without a doubt there has got to be another lender entering the fray." He added: "I don't see the commercial banks shouldering the burden. There needs to be another lender, another provider of liquidity."

● comment

National Westminster's bad debt provisions continue to fluctuate more markedly than those of the other clearers but its underlying profits performance, less exposed than their's to international problems, has shown an enviable stability. Pre-tax profits before provisions have grown by 15 per cent before taking account of a £39m profit on the bank's £400m gilt-edged portfolio, against a £11m loss in 1981. International *banking has made a strong showing,* contributing £26.1m to pre-tax profits before specific debt provisions of £68m and attributable loan stock interest, against a comparable £195 last year. NatWest has outpaced the *average gain* in sterling advances achieved by the four main clearers, growing by almost 30 per cent to £12.6bn, and the mortgages book has *swollen* from £0.3bn to £1.3bn. The pattern of the bank's sterling deposit base has shifted rather more than the other clearers' in favour of wholesale money but the branch network looks as though it is still testing the bank's control of costs, with UK staff costs up 12 per cent. The dividend increase yesterday exceeded most expectations and left the shares yielding just over 7 per cent.

Kode International lower but pays more

PRE-TAX profits of electrical equipment manufacturer Kode International came out lower at £1.37m for 1982, against £1.53m, after an exceptional debit of £267,000, compared with a £115,000 credit previously.

The dividend is lifted to 8p (7p) net per 25p share, however, with an increased final distribution of 5.68p (4.68p).

The group enters the current year with a 14 per cent improvement in its order book which, combined with a strengthened management, gives the company confidence in continued progress.

After 24 weeks pre-tax profits were just ahead from £603,144 *to £612,184* on turnover of £5.15m (£4.99m). Sales figure for the full period amounted to £11.22m, against £10.59m.

Pre-tax figures included net interest received, up from £174,000 to £234,000 and the exceptional item comprised the claim settlement of £167,000 by a former director, and a £100,000 provision for product rationalisation.

Tax charge was higher at £683,000 (£541,000) after which earnings are shown as 15.31p (22.18p) per share. Excluding the exceptional items these are given as 18.18p (20.93p).

On a current cost basis profits, before tax, are given as £1.24m (£1.29m).

● comment

Exceptional items, including a £167,000 payment to its former chairman, were the sting in the tail of Kode's 1982 results. Take them out and the company recorded a 13.3 per cent increase in trading profits thanks to improved markets in the second half and the fruits of a *rationalisation drive. The aftermath* of the Falklands conflict assisted orders in the last quarter for motion control systems and precision electro-mechanical components used in defence. Increased demand from British Telecom, the company's biggest purchaser of printed circuit boards (PCBs), has contributed to a 14 per cent increase in orders in the current year. Kode's concentration on short runs of high-quality PCBs has enabled it to hold its own against large computer manufacturers' increasing tendency to farm out their own PCB production. Kode has now achieved a balance between its three main operations — PCBs; hardware and *maintenance; and motion control* systems — which should add stability. The company admits to being rather pedestrian by the *standards of its sector.* But it is cash rich and promises to bring to fruition in the current year its long-standing plans for an acquisition. A p/e of 23.1 reflects Kode's growth prospects.

Downturn by Cement Roadstone

A WARNING that reduced profits later this year at **Cement-Roadstone Holdings** will have a "severe effect" on dividend policy accompanies the figures for 1982, which show a downturn in pre-tax profits from I£26.4m to I£15.51m.

Sales of this Dublin-based maker of cement, asbestos, cement goods and tarmacadam moved ahead from £354.52m to £415.67m.

With regard to outlook, the directors expect "very rough conditions" in home markets and say they must take a realistic view of the environment and forecast a "further substantial reduction of profits" this year.

They point out however that *improvements are expected in* overseas operations and express confidence in the longer term.

Though details of proposed ACT have not yet been published the directors say that this, combined with reduced profits, will have a severe effect on dividend policy.

At the halfway stage the directors warned that full year profits would be substantially below those in 1981—second half profits showed a marked fall from I£12.62m to I£5.33m.

Earnings per 25p share are given as falling sharply from 14.83p to 8.5p. The second net interim of 3.56p has already been *paid in lieu of a final.*

At the trading level profits were down from £31.12m to £20.98m after all charges including depreciation of *£18.13m* (£15.62m).

Pre-tax profits were struck after interest of £5.81m (£5.77m) and included lower associate profits of £356,000 against £1.29m.

Tax amounted to £127,000 (£719,000) and minorities losses came to £545,000 (£597,000). Extraordinary debits rose steeply from £1.4m to £7.5m.

● comment

With three quarters of its earnings coming from the home market, *Cement-Roadstone's latest* profit setback has again demonstrated the group's vulnerability to the deepening recession in the *Irish Republic. The weakness of* the construction industry caused an 18 per cent fall in cement volumes and capacity utilisation fell back to 75 per cent at the year-end, despite higher exports to Northern Ireland. Other operations, which include building materials and aggregates, faced similarly tough trading conditions. Overall operating *margins narrowed from 8.8 per* cent to 5 per cent during the year. The broad spread of overseas operations provided some support, marginally increasing profits through tight cost controls. This year prospects of a profit improvement from the U.S. operations have been buoyed by the recent upturn in the housing and construction markets. Heavy capital expenditure on the Limerick plant has lifted gearing to 47 per cent (37 per cent in 1981) and borrowings are *expected to peak this year,* taking the debt-to-equity ratio to around 65 per cent. The outlook this year remains gloomy, but longer-term prospects are better though a yield of over 20 per cent remains cautious.

Brooke Bond £2m higher but overseas profits fall

ALTHOUGH SALES of Brooke Bond Group were down from £486.3m to £469.61m in the six months to December 31 1982, pre-tax profits—helped by lower interest charges — showed an advance from £18.92m to £20.89m.

At the trading level, group profits slipped from £29.67m to £29.27m, with an improvement in the UK performance offset by a reduction from £15.01m to £13.27m in the overseas contribution. Trading results were struck before interest, cut from £10.75m to £8.38m.

The directors report that in the second half of the current year, the group's trading performance to date continues to be satisfactory.

For the third successive year, the interim dividend is unchanged at 1.25p net per share—payments for the 1981-82 year totalled 3.908p on lower pre-tax profits of £35.31m (£41.75m).

Stated earnings per 25p share, on a net basis, increased from 3.19p to 3.53p. The tax charge was up from £2.27m to £3.06m, while minorities were little changed at £815,000 (£818,000). There was also an extraordinary debit this time of £47,000, against a £1.41m credit last time.

The group is engaged in the packing and distribution of tea, coffee, meat and other food products; the importing, processing and distribution of timber *and allied products; the operating* of plantations and ranches and general import - export trading in South-East Asia.

The directors say *the better* UK trading profits were helped by an improved performance from Baxters (Butchers) and by loss elimination following the closure of Chard Meat Co. The *results of the Mallinson-Denny* timber division were similar to the comparable period last year, but there was an improvement against the second half of 1981-82.

● comment

More than two years on and Brooke Bond is still trying to blend food and timber into a strong growth mix. The hoped-for upturn at Mallinson-Denny has been set back by Australia leaving the timber side £700,000 in the red after operating interest, compared with £700,000 profit a year earlier. Unwillingness *to forgo margins on* tea, which accounts for two-thirds of the non-timber business, depressed UK market share. In the second half further hardening in auction tea prices should help the plantations, which rose £2m in the first six months. But retailing may be restrained by costly aggressive marketing, including price cuts to regain market position. Higher commodity prices may also nudge up borrowings but if interest rates continue to ease this could add over £4.5m at full time. Clearly the rest of the year will be a time for mending fences, more by strategy than surgery. Mallinson should show further recovery with a late pick-up in demand not ruled out. Even so the uncertainties in the half-time figures have left forecasters seeing their original outlook of £45m pre-tax more a top-end hope than a mid-range expectation. This would put the prospective p/e at 10¼ and the yield, *on unchanged payout,* at 8½ per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bronx Engineering	0.79	May 10	0.79	1.04	1.04
Brooke Bond ......int.	1.25	July 1	1.25	—	3.91
Chambers & Fargus int.	Nil	—	0.5	—	1.75
CSC Investment Trust	4.5	April 25	4.5	7.75	7.75
J. Hewitt and Son	1.95	—	1.5	2.4	1.95
Geo. Ingham	0.75	—	0.25	0.75	0.25
J. Jarvis and Sons int.	7.5	March 31	6.7	—	15
Kode Intl.	5.68	—	4.68	8	7
McLaughlin & Harvey	4.6	May 5	3.95	6.4	5.75
Nat. Westminster Bank	18.4	—	15.58	29	25.2
Ramus Hldgs. ......int.	1.8	April 29	1.5	—	5
Rosehaugh ......int.	—	—	—	—	2.45
Systems Designers	1.5	—	—	—	—
Trade Indemnity	4.78	—	4.55	7.14	6.92
TR Pacific Basin Invest.	1	May 5	2.55	2.75	4.3
U.S. Debenture	4.27	—	3.92	6.53	5.92

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

Bronx recovers to £0.54m: warns on 1983

The partial recovery experienced by **Bronx Engineering Holdings** at midyear continued through the second six months and for the year as a whole to November 30 1982 the group returned profits of £540,474, compared with a loss previously of £882,938.

The results are in line with last year's forecast that profits would compare with 1980's £507,000—the group made profits of £898,000 in 1977.

In a statement accompanying the full year figures the directors warn that in general, markets continue to be depressed.

Consequently, with turnover for the current year expected to be lower than that for 1982, they say it is not possible to anticipate profits approaching last year's level.

Earnings per 10p share for 1982 amounted to 3.86p (6.51p loss) but as forecast the final dividend is held at 0.79p.

Pentos losses down at year end

SECOND HALF pre-tax losses of Pentos, bookselling, publishing, furniture group, increased from £409,000 to £724,000, but for the whole of 1982 the figure was lower at £1.66m, compared with a previous £1.87m. There is again no dividend.

Profits recovery is taking longer than had been hoped, but first indications in 1983 are more encouraging with a combination of a lower cost base, lower interest charges and a significant increase in sales at Athena and Caplan Furniture producing much improved results, directors state.

They say the company will continue to divest itself, as suitable opportunities arise, of those subsidiaries which do not fit into the longer-term plans built round specialist retailing, fine art publishing, office and contract furniture, and construction and property.

Adjusting for Jeavons Engineering — *Pentos has recently* announced the sale of its residual holding in the company — 1982 engineering profit of £252,000 compares with a loss of £93,000 for the previous year.

Overall, board expects a significant improvement in results in 1983 with major trading recoveries in office and contract furniture and in publishing and bookselling.

The pre-tax figure was after interest charges of £2m (£2.56m). Tax charged was £96,000 (£171,000) and there was an extraordinary debit of £1.26m (£2.1m). Loss per share is shown as 3.86p (4.51p).

● comment

Since the fortunes of **Pentos**, one of the glamour mini-conglomerates of the 1970s, took a nosedive three years ago, the company has forced its expansion policy into painful reverse. But this year's pre-tax loss figure has been reduced by £2m and interest charges are proportionately less than the fall in turnover or in capital employed. And for the first time borrowings of £9.8m are well in excess of shareholders' funds of £7.5m at the year-end. Of the borrowings, £1.6m is in the form of a convertible loan stock and the remainder is repayable within a period of five years. Shareholders' funds were boosted *by over £1.5m by successful legal* battles fought over the mispriced acquisition of the Caplan furniture company. The workforce, which numbered over 3,000 18 months ago has been cut by a further 350 to 1,800, primarily due to the disposal of Hall Homes and Gardens and administrative rationalisation in the loss-making publishing division. In the first two months of 1983, the management reports that the company has been trading profitably, with both Caplan and Athena enjoying a 35 per cent rise in profitability and even the bookselling and publishing division breaking even. *Borrowings have been cut* by £2m and interest charges are lower than in 1982. But the management has had a long and costly record of over-optimism in its forecasts, even as late as 1981.

Systems Designers tops forecast

PRE-TAX profits of Systems Designers International rose to £1.06m for 1982, topping the forecast made at the time of the share placing last November by £61,031 and figures for the previous year by £249,000.

The surplus was struck after allowing for much higher administration costs of £3.03m, compared *with £2.2m, and interest* charges of £64,000, against £1,000 receivable.

As foreshadowed, a dividend of 1.5p net is being paid—had the company's share been quoted for a full year the directors would have declared a dividend of 2.2p had the group returned profits at a *similar* level to those *forecast.*

This would have been as to one-third as an interim in November and the remainder as a final in May — the company *placed 1,427,600 ordinary shares* of which Samuel Montagu and Co. agreed to subscribe for 360,000 in cash.

Turnover for 1982 reached £9.45m (£7.15m) and gross profits emerged at £4.16m, against £3.01m previously.

Tax took £552,000 (£387,000) after which stated earnings per 10p share showed an improvement of 1.1p to 8.6p.

During the year the group won *contracts in its traditional areas* of defence and aerospace for the Met Office totalling £1.7m and from the Civil Aviation Authority amounting to £2m.

Its major product development, Perspective, will be launched *this year* and *should* accelerate growth in software product revenues worldwide, particularly in the U.S.

During 1982 the group's exports increased significantly and accounted *for more than* 20 per cent *of turnover.*

● comment

Systems Designers International should perhaps regard it as insulting that its share price immediately jumped 25p to 385p on the news that it had met its November placing forecast. Then SDI came to the market on a prospective p/e of 27. That looked a bit cheeky, but the favoured few who acquired shares at the placing price of 210p are now sitting on capital appreciation of 83 per cent. *Since SDI is par excellence* a "our people our assets" company, it is in theory very much a bull point that last year it managed to increase *its* professional staff by a third, with a similar increase on the cards this year. The company professes an interest in acquisitions, though the industry lends itself much more to fragmentation than agglomeration. SDI has net debt of about £600,000, so any buy will probably be funded by paper. With a share price trading at a *historic multiple of about* 45, the prospects of earnings dilution are slight indeed. SDI could make about £1.45m pre-tax *this* year, so even the prospective p/e is well into the thirties, a rating which seems unlikely to ease down until the stock market is offered a genuine alternative equity in this field.

Anglo-American pays £103,000 compensation

***Anglo-American* Securities Corporation**, the investment trust group, paid a former director and manager, Mr Allen Rumsey, £103,000 compensation for loss of office.

Details of the payment were contained in the trust's 1983 annual report just published. Mr Rumsey's retirement was announced last June.

"It was a considerable sum, but Mr Rumsey had been here for a very long time," said Mr David Roberts, Anglo's *investment manager.*

Anglo declined to comment further, but Mr Rumsey is understood to have retired about two years ahead of his 65th birth after Anglo established close links with merchant bankers Morgan Grenfell. The payment include pension contributions and compensation under his three-year rolling contract.

Shortfall for Trade Indemnity

Sharply lower profits were returned by **Trade Indemnity** for 1982. At the pre-tax level they fell to £2.62m, a shortfall of £1.18m on the figures of the previous year.

Stated earnings per 25p share dropped by 7.38p to 19.09p but a final dividend of 4.7775p raises the net total from 6.915p to 7.1425p—the company writes credit insurance business.

Although premiums written expanded from £29.66m to £37m, income dropped to £2.62m (£3.83m). This was made up as to profits on previous years underwriting account of £788,000 (£1.97m), franked investment income of £552,000 (£494,000) and interest and other income of £1.28m (£1.37m).

Yearlings at 10⅜%

The interest rate for this week's issue of *local* authority bonds is 10⅜ per cent, down a quarter of a percentage point from last week and compares with 13⅜ per cent a year ago. The bonds are issued at par and are redeemable on March 21, 1984.

A full list of issues will be published in tomorrow's edition.

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UK COMPANY NEWS

Yellow Advertiser plans to seek listing

BY DOMINIC LAWSON

THE Yellow Advertiser Newspaper Group is planning to come to the Stock Market later this year or early in 1984. The Essex-based publisher of free distribution newspapers currently intends that it should make its City debut as a fully-listed stock.

The company, which was founded in 1976 by the chairman, Mr Ian Fletcher, made a pre-tax profit of over £0.5m in the year to June 1982. Ian Fletcher predicts that the company will make profits of not less than £0.5m in the six months to December 1982.

Yellow Advertiser will be taken to the market by County Bank, who for the past 18 months have held 20 per cent of the equity. Mr Fletcher says "one of the bases on which County Bank became shareholders was that we would take this step, but we had always thought that a stock market quote would be an important part of the company's development."

The Yellow Advertiser has a total of 16 titles in its free newspaper network, with a total circulation of 950,000. Mr Fletcher says "we are just one title away from the 1m circulation mark."

The Yellow Advertiser also type-sets and prints a number of "paid" newspapers and magazines, and in January was awarded a contract to print a large part of the European run of the International Herald Tribune. This was one of the consequences of the company's £1.1m investment in a new press based in Harlow, Essex, which became operational at the beginning of 1983.

Mr Fletcher resents the description of his publications as free sheets. "It was a term thought up by the regional press, and was adopted as a derogatory description. Unfortunately, it's stuck. But our average pagination is 36. So if we're called free sheets then they should be called paid sheets."

Mr Fletcher sees himself as being in direct competition with the old regional newspapers, and claims that "we have caused the extinction of two local weekly papers. We do not have their grotesque overmanning problems."

Mr Fletcher concedes that a free newspaper company has two built-in advantages in the profits battle against the traditional regional press. First, the distribution has to cover virtually 100 per cent of a given catchment area, so the print run tends to be much larger than that of competitors. Second, of course, there is no income from sales, only from advertising revenue.

Mr Fletcher concedes "our advertising rates are very often more expensive than those of competing local newspapers, but in terms of cost to the advertiser per thousand copies distributed, we are cheaper."

The point for advertisers is, naturally, are the free newspapers read, or simply used as lining for the budgie's cage? Mr Fletcher has commissioned research on precisely this question and claims "our average readership is 80 per cent of copies distributed. Our best is the Staines Informer. That has a 94 per cent readership."

Mr Fletcher, previously a marketing man with Shell, says "we are now the largest accredited independent free newspaper publisher in the country. But I have no wish to become a press baron. This business' rationale is entirely commercial. I'm not making money to sell newspapers. I'm selling newspapers to make money."

Merchants Trust expands to £3.7m

A rise in pre-tax profits has been shown by the Merchants Trust from £3.3m to £3.7m for the year to end of January 1983. Tax for this investment trust moved up from £1.1m to £1.31m.

Attributable earnings emerged up from £2.17m to £2.35m.

The final net dividend is being lifted from 2.4p to £2.815p which increases the total from 4.15p to 4.565p. A one-for-one scrip issue is also proposed.

Earnings per 25p stock unit were shown as rising from 4.24p to 4.6p or from 4.23p to 4.59p on a fully diluted basis. Net asset value moved up from 136.5p to 173.8p or from 136.3p to 173.7p fully diluted.

Decrease at TR Pacific Basin

FOLLOWING THE change in investment policy towards the Pacific Basin, which was approved by shareholders last April, results of TR Pacific Basin Investment Trust show a 19.8 per cent decline in total revenue from £2.8m to £2.25m for the year ended January 31, 1983, and a 28.5 per cent fall in after-tax earnings from £1.54m to £1.1m.

The results however, are in line with the directors' expectations, taking into account that dividend yields in Far Eastern markets are generally lower than those available in the UK.

They therefore are recommending as forecast, a final dividend of 1p per 25p share, which with the interim and special payments makes a total for the year of 2.75p, as against 4.3p previously. Stated earnings per share decreased by 29.1 per cent from 4.4p to 3.12p.

Net assets value per share however, increased by 26.4 per cent from 140p to 177p at the end of January, 1983. The directors say this is an encouraging result in a year of great change.

Looking ahead, the directors believe the main factor that will affect stock markets will be the attitude of the world's monetary authorities, particularly the Americans. At the moment their attitude could be described as accommodating with no signs of re-tightening the supply of money, they say. Therefore they look towards further falls in interest rates and improving economic activity.

In this situation, the markets in the Far East are best placed to benefit from any upturn as the economies there have more room for expansion than those in the West, the directors state.

Some 67 per cent of the trust's portfolio is invested in the Japanese economy which has suffered with most others from the worldwide economic recession, but has remained resilient in relation to its main competitors, say the directors. Inflation remains modest and the yen should show strength relative to other major currencies as economic conditions improve.

Midway rise to £241,000 at Ramus

Appreciably better profits have been produced at Ramus Holdings for the 26 weeks to January 3 1983 according to Mr Ernest J. Ramus, chairman. The pre-tax figure amounted to £241,000, compared with the previous depressed level of £120,000.

The net interim dividend of this USM stock has been maintained at 1.5p—in the last full year a final of 3.5p was also paid

Mr Ramus points out that the second half is seasonally distributor, and he expects higher profits for the current period than for the first half.

Edelman bids $85 for 'critical' Canal stake

BY DAVID DODWELL

Montagu Investment Management, the London-based investment advising subsidiary of merchant banker Samuel Montagu, was poised yesterday to accept on behalf of clients an $85 a share offer for its critical 121,000 share holding in Canal Randolph, the U.S. property company.

The offer comes from Mr Asher Edelman, an American arbitrageur, who is locked in a battle for control of Canal Randolph. Mr Edelman approached Montagu at the end of January with a $70 a share offer, but this was rejected.

Canal Randolph is currently controlled by Sir Walter Salomon, who is also chairman of Rea Brothers the London merchant bank. Shares amounting to about 28.6 per cent of Canal Randolph's issued capital is in the hands of Sir Walter, his bank, or of investment trusts linked with Rea Brothers.

The Montagu stake, which amounts to about 7.7 per cent, is critical because with the 21 per cent stake already held by Mr Edelman, he will become the company's majority shareholder.

Mr Edelman is due to mount a proxy contest for control of Canal Randolph at the company's annual meeting, scheduled for Friday this week. He said yesterday that the Montagu stake, coupled with proxy votes already committed to him, means that "we can now win the battle" for control of the company.

The $85 a share offer to Montagu amounts to about $10.29m. If a full bid were mounted for the company at that price, it would be valued at $134m.

A spokesman for Montagu said yesterday: "By any investment criteria, an offer at $85 is a generous one." Following receipt of the formal offer on Sunday, Montagu spent all of Monday contacting its clients holding Canal Randolph shares telling them it was disposed to accept the offer. By last night all had agreed to accept Montagu's advice.

Mr Edelman first bought a stake in Canal Randolph in April last year. But by December, with his stake at just under 21 per cent, he realised a full bid for the company could be frustrated by Sir Walter.

He then announced plans to mount a proxy contest for the company. Since January, he has also filed suits against Sir Walter and Rea Brothers in the Delaware courts alleging infringement of Securities Exchange laws.

Those suits were heard last week, and a ruling is expected late tonight in the U.S. Depending on the outcome, it may be necessary to postpone the annual meeting.

Ex-F. Pratt director in board clash

Mr Maurice James, a former non-executive director of F. Pratt Engineering Corporation, the engineering group at the centre of a row about directors' expenses in 1981, clashed with the board yesterday at the annual general meeting

Mr James, whose company Maurice James Industries holds around 4.6 per cent of Pratt's equity, had challenged the board when he was a director on the level of head office expenditure and yesterday revived the row

He questioned Mr James Hendin, who was brought into the group as chairman at the beginning of 1982 in the wake of a boardroom upheaval and the departure of Mr Galliers-Pratt, whose family had founded the firm.

Mr James asked whether the restitution of £168,000 made by certain directors in connection with head office expenditure was realistic and could it be justified.

Mr Hendin said the figure was fair. "This committee, of which you were a member, sat for a long time studying a report prepared by Ernst & Whinney. After very careful consideration and very detailed discussion with our professional advisers we eventually came to settle the figure that amounted to £168,000."

Mr James questioned the wisdom of the disposal strategy involved in the sale of Omes-Faulkners, a Pratt subsidiary during the year.

Mr Hendin said reports that the Department of Trade were investigating the affairs of the company were "a downright lie."

3.5m Moben shares sold by directors

Five directors of Moben Group, the Manchester furniture-maker, have sold a total of 3.47m shares in their company, amounting to 6.3 per cent of the equity.

The shares, which were issued to them as part of the deferred consideration for the acquisition by Kitchen Queen Group, now renamed Moben, of Moben Home Improvements in 1979. They have now been placed with a group of about 15 institutions.

Mr L. D. Morris, the chairman, sold 1.5m and retains 4.52m; Mr J. A. Bentham, managing director, sold 1.5m and retains 4.59m; Mr S. D. Morris, director, sold 250,000 and retains 1.81m; Mr J. Crossley, director, sold 150,000 and retains 355,000; and Mr M. Daulby, director, sold 75,000 and retains 425,000.

Hamilton Oil £21m U.S. buy

Hamilton Oil Great Britain yesterday announced agreement to acquire the assets of Hamilton to acquire the assets of Hamilton International Oil Company of the U.S. in exchange for 21m new shares. This values the acquisition at just under £21m.

Hamilton International is a U.S. exploration company privately owned by Mr Fred Hamilton and a group of business colleagues. Hamilton Oil Great Britain is chaired by Mr Hamilton, but is publicly quoted. Mr Hamilton currently holds a 10 per cent stake inthe company, and on completion of the deal this may rise to 14 per cent.

Hamilton Oil Great Britain has interests consisting mainly of oil and gas exploration and production in the Argyll Field in the North Sea. Last week it reported full year pre-tax profits for 1982 of £21.54m, compared with £13.17m in 1981. Turnover jumped to £38.5m against £20.4m.

Mr John Sutcliffe, managing director of Hamilton Oil Great Britain, said the initiative for the deal had come from his own company, which felt Hamilton International had "excellent prospects along the road."

The U.S. company's assets include a stake in the Bruce Field in the North Sea, with interests offshore Ireland, and offshore Korea, Peru and Alaska.

After the issue of 21m new shares, Hamilton Oil Great Britain will have 71m shares issued, giving the partners owning Hamilton International a 30 per cent stake in the UK company. This share was arrived at after a study by independent consultants of the known resources owned by the two companies.

Hamilton Oil Great Britain is cash rich, with net current assets amounting to £17m. In contrast, Hamilton International has debts amounting to about £4.7m.

The UK group's shares rose 1p to 99p on news of the deal.

ASSOCIATE DEAL

As an association of Hanson Trust, Phillips and Drew sold 15,500 shares in Hanson for 195p each on March 14 for a discretionary investment client.

1982-83 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	141	—	6.4	4.5	8.2	10.8
158	117	Ass. Brit. Ind. CULS	156	—	10.0	6.4	—	—
74	57	Airsprung Group	64	—	6.1	9.5	7.3	12.5
46	34	Armitage & Rhodes	34	—	4.3	12.6	3.8	6.7
307	197	Bardon Hill	306	—	11.4	3.7	12.9	16.2
135	100	CCL 11pc Conv. Pref.	135	+ 1	15.7	11.6	—	—
270	240	Cindico Group	240	—	17.6	7.3	8.7	10.9
86	52	Deborah Services	52xd	—	6.0	11.5	3.4	9.3
86½	77	Frank Horsell	86½	—	—	—	7.2	7.7
85	75½	Frank Horsell Pr Ord 87	85	—	8.7	10.2	9.4	10.1
83	61	Frederick Parker	67	—	7.1	10.6	4.2	6.7
55	35	George Blair	35	—	—	—	6.1	12.7
100	74	Ind. Precision Castings	79	—	7.3	9.2	10.1	12.7
158	100	Isis Conv. Pref.	158	—	15.7	9.9	—	—
143	94	Jackson Group	143	+ 1	7.5	5.2	4.4	9.1
195	111	James Burrough	195	+ 4	9.6	4.9	14.2	15.8
260	154	Robert Jenkins	154	—	20.0	13.0	1.7	24.4
83	54	Scruttons "A"	73	—	5.7	7.8	9.5	11.4
167	112	Torday & Carlisle	114	—	11.4	10.0	5.1	8.8
29	21	Unilock Holdings	26	—	0.46	1.8	—	—
85	66	Walter Alexander	66	—	6.4	9.7	4.7	5.8
264	214	W. S. Yeates	264	+ 1	17.1	6.5	4.1	8.4

	Half-Year to December 1982 £'000	Half-Year to December 1981 £'000	Year to June 1982 £'000
Turnover	13,785	12,994	26,252
Trading Profit	3,068	2,350	5,072
Investment Income	341	321	697
Exceptional Costs (note 1)	(125)	—	(118)
Profit before Taxation	3,284	2,671	5,651
Estimated Taxation (note 2)	1,708	1,389	2,880
Profit after Taxation available for Ordinary Shareholders	1,576	1,282	2,771
Earnings per share	13.13p	10.68p	23.09p
Interim Dividend per share	4.5p	3.8p	3.8p
Final Dividend per share			8.5p
			12.3p
Profits absorbed by Dividend	£540,000	£456,000	£1,476,000

MINING NEWS

De Beers' earnings fall by 30%

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA's De Beers Consolidated Mines is maintaining its 192 final dividend at the previously reduced rate of 25 cents (15.3p) after a year in which the big diamond group's earnings have fallen just under 30 per cent to 123 cents per share. The latest dividend makes a total of 37.5 cents against 50 cents for 1981.

Attributable net profits for 1982 amount to R442.5m before deduction of R14.9m for the share of extraordinary losses of associated companies. The resultant earnings of R427.6m go against R628.3m in 1981.

But De Beers holds out the hope of better things this year. The group points out that diamond stocks at the cutting centres have been reduced to more realistic levels while confidence has "markedly improved" since the end of the year.

Sales of rough (uncut) diamonds handled by the *group's Central Selling Organisation* on behalf of De Beers and other producers are stated to be running at a considerably higher level than in the previous six months with demand expanding to some extent into the higher categories. But the larger and better qualities remain in a restricted market.

The improvement in *the* damond market during the second half of last year, which was indicated by the CSO sales figure, is reflected in a lower-than-expected increase *in the* CSO's big stockpile of unsold stones.

After doubling to R1.4bn in 1981 it has increased to R1.83bn *in 1983 and R280.2m of* the latest rise is attributable to the fall in the rand against the U.S. dollar in which diamonds are priced.

The group's income on diamond account has improved in the second half of the year, but the total of R287.5m is still 20 per cent down on that for 1981. Investment income has also *fallen but this has been partly* offset by an increase in share-dealing profits.

In line with the need to finance the diamond stockpile, *interest charges have more* than doubled while cash funds have contracted.

To some extent the latest results are distorted by the *merger as from* the beginning of last year between the previous subsidiary, De Beers Industrial Corporation, and Anglo American Industrial Corporation.

One result of this is the expansion to R220.5m from R59.7m *of* outside shareholders' interests in subsidiaries.

The market value of investments has increased to R3.28bn from R2.88bn at the end of 1981. Net current liabilities have increased to D172.2m from R86.1m. It is pointed out that the net increase in *preference* shares (*issued to banks as security for* loans) long term and net current liabilities over the year was R282.7m.

Following the latest results the deferred shares closed 8p down at 492p yesterday to show a modest yield of 4.6 per cent. In view of the continued burden of financing the big diamond stocks, the shares look to be fully priced at this level despite the expectation of a recovery in earnings this year.

	1982 Rm	1981 Rm
Diamond account	287.5	380.3
Investment income	149.0	179.6
Other interest	49.6	62.7
Retained profits of assoc. companies	240.0	264.5
Surplus on real. of invests.	10.8	3.1
Surplus on realn of fixed assets	1.0	0.1
Making	737.8	870.3
Prospecting & research	59.0	62.5
General charges	15.7	15.3
Interest payable	94.8	38.3
Assets, loans writtn off	2.2	0.4
Profit before tax	566.1	763.8
Tax	89.0	97.3
State's share of profit under mining leases	—	3.8
Profit after tax	477.1	652.7
Outside holders	32.8	22.6
Pref dividends	1.8	1.8
Attributable before extraord items	442.5	628.3
Extraord losses of assoc. companies	14.9	—

Lac Minerals profits shortfall

CANADA'S SECOND largest gold *producer, Lac Minerals, could* not escape the effects of lower gold prices last year even though it produced more gold and sold most of it forward at better than spot prices, report John Soganich from Toronto.

Net profits for 1982 fell to C$21.9m (£11.9m), or C$1.01 per share, from C$37.4m in the previous year. Revenue, including that from oil and gas operations, declined to C$130.4m from C$139.1m.

The reduced earnings reflect lower realised gold prices and significantly higher costs which more than offset the benefits of increased gold deliveries. The average bullion price realised was C$583 per ounce compared with C$717 in 1981.

Lac's production last year rose to 201,180 oz from 188,433 oz. As already reported the group has sold forward 150,000 oz of this year's production at an average price of C$600 (US$489) per ounce.

Lac Minerals was created at the end of last year by the reorganisation of Long Lac Minerals, Willroy Mines, Les Terrains Auriferes Malartic (Quebec), Les Mines Est-Malartic and Long Lac Mineral Exploration.

The group controls Lake Shore Mines which, in turn, is the largest singe shareholder in Lac Minerals. Lake Shore reports a fall in 1982 net profits to C$11.2m or C$2.58 per share, from C$24m in 1981.

Loss of £0.41m at Tanjong Tin

ON THE BACK of a fall of almost half in tin production, Malaysia's Tanjong Tin Dredging has reported an operating loss of £407,000 for 1982, compared with profits of £22,175 last time.

Interest and dividends received brought in £130,000, a little lower than in 1981, to make the final pre-tax loss £277,000 against profits of £190,064.

Unusually for a Malaysian producer, the export controls imposed under the sixth International Tin Agreement were *not the cause of the steep fall* in production. Tanjong's problems were caused by the fact that the company's dredge had to operate in low-grade ground throughout the year.

Tanjong is still seeking the renewal of its main lease, which expired at the end of 1978. All the Malaysian assets and liabilities were transferred to the Malaysian *subsidiary*, Tanjong Tin Dredging (Malaysia), from January 1 last year to facilitate local equity participation and the renewal of the lease in the subsidiary's name.

International round-up

CANADA'S ONLY producing columbium mine is to close for at least three months from the end of March because the slump in world steel markets has led to lower demand and prices for ferro-columbium, used in the production of chrome steel.

The Niobec Mine at St Honore, north of Quebec City, is jointly owned by Teck Corporation of Vancouver and Soquem, the Quebec Government-owned mining company. It has been operating at around full capacity since it opened seven years ago, replacing another mine to the west of Montreal.

Major deposits of columbium exist in other parts of Canada, especially northern Ontario, but they have so far proved uneconomic to develop, while the Niobec operation has been very profitable for both Teck and Soquem.

* * *

Esso Exploration and Production, a subsidiary of the big oil group, has farmed into the Hannans Lake gold prospect of Australia's Geometals in Western Australia.

Esso can earn a 51 per cent interest in the prospect for the expenditure of A$2m (£1.14m). Geometals retains a non-contributing interest of 25 per cent, and its present partner, Wildcatters, keeps 24 per cent.

Esso may withdraw after spending A$100,000.

* * *

NET PROFITS of Western Australia's Griffin Coal Mining for the six months to end-December 1981 emerged 6 per cent higher at A$3.12m (£1.7m), on sales almost 50 per cent higher at A$30.8m. The interim dividend is maintained at 11 cents.

Coal deliveries from the Muja and Chicken Creek open-cut operations in the Collie Basin rose 12 per cent to 523,755 tonnes during the period.

For the future, Griffin is exploring the potential of the Ewington and Stockton prospects in the same area.

Hanna Mining, the U.S. group with interests in iron ore, nickel and energy, plans to purchase a $10m (£6.7m) issue of convertible debentures in Midland Southwest Corporation, an oil and gas drilling business in which Hanna currently has a 49 per cent stake.

The debentures, which carry an interest rate of 10 per cent, mature at the end of this year. Hanna can raise its holding in Midland Southwest to around 80 per cent if it opts to convert from debentures into common stock.

Mr N. H. Marshall, chairman of the London-registered East Rand Consolidated, points out in his annual statement that the South African Government's recent decision to end exchange control for non-residents could have far-reaching effects on this investment company.

The company is now free to remit both income and capital out of South Africa without any restriction, and this opens up a much broader range of investment, he said.

COMPANY NOTICES

NOTICE TO HOLDERS OF

ORIENT FINANCE CO., LTD.

(KABUSHIKI KAISHA ORIENT FINANCE)

8% Sterling/U.S. Dollar Payable Convertible Bonds Due 1995

Pursuant to Clause 7 (B) of the Trust Deed dated 22nd August, 1980, notice is hereby given as follows:—

1. A free distribution of Shares of the Company will be made to shareholders registered on 31st March, 1983, at 5.00 p.m. (Japan time) at the rate of 0.3 Shares for each Share then held.
2. As a result of such distribution the Conversion Price at which the above-mentioned Bonds may be converted into shares of the Company will be adjusted, in accordance with Condition 5 (c) of the Terms and Conditions of the Bonds, effective as of 1st April, 1983 (Japan time) from Yen 611.70 per Share to Yen 470.50 per Share.

Dated: 16th March, 1983

ORIENT FINANCE CO. LTD.
by The Daiwa Bank Limited
as Principal Paying Agent

TATE & LYLE PLC

NOTICE TO HOLDERS OF BEARER SHARE WARRANTS

Notice is hereby given to holders of Bearer Warrants for ORDINARY STOCK of the Company that a final dividend on the Ordinary Stock of 9.5p net in respect of the period ended 25th September 1982 will be paid on or after 5th April 1983 to holders of Bearer Warrants upon presentation of COUPON No. 52.

Warrant Holders who are employees or pensioners of Tate & Lyle PLC, or of one of its Associated Companies, should follow the instructions to be distributed and displayed on the Companies' Notice Boards.

Warrant Holders who are not employees or pensioner's of Tate & Lyle PLC must present their coupons to the Company at the address shown below on or after 5th April 1983.

J. E. WRIGHT
Secretary

10th March 1983
Sugar Quay,
Lower Thames Street,
London EC3R 6DQ

NOTICE TO BONDHOLDERS

Saab-Scania Aktiebolag

US$50,000,000 8½ per cent Bonds Due 15th March, 1989

Pursuant to the terms and conditions of Bonds, notice is hereby given that during the twelve-month period beginning on 15th March, 1983, the Company has purchased US$2,600,000 principal amount of the subject Bonds in satisfaction of the Purchase Fund requirements.

As of 16th March, 1983, the principal amount of such Bonds remaining in circulation was US$35,000,000.

FOR SAAB-SCANIA AKTIEBOLAG

CITIBANK, N.A., London
16th March, 1983

TAUERNAUTOBAHN AKTIENGESELLSCHAFT

US$30,000,000 8½% Guaranteed Bonds 1987

Citibank, N.A., as Principal Paying Agent, announces that Bonds for a nominal value of US$3,000,000 were purchased for the March 15 1983 Redemption. The principal amount outstanding after March 15 1983 is US$24,000,000.

March 15, 1983 Citibank, N.A., London

STANDARD BANK IMPORT & EXPORT FINANCE COMPANY LIMITED

US$50,000,000 GUARANTEED FLOATING RATE NOTES DUE 1985 (Convertible at the option of the Noteholder into 9¼% Guaranteed Bonds due 1985)

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 9¹¹⁄₁₆% and the Coupon Amount payable September 16, 1983 against Coupon No. 6 will be US$1269.79. The Conversion Interest Amount payable September 30, 1983, against Coupon No. 6 will be US$94.79.

By: CITIBANK, N.A., LONDON
Agent Bank (CSSI Dept)
March 16, 1983.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR's) IN MINEBEA CO. LTD.

We are pleased to confirm that copies of the Annual Report for the year ended September 30, 1982 of Minebea Co. Ltd. are now available to EDR holders, upon application at the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, and the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg.

March 16, 1983.

CITIBANK, N.A.
London Depositary

APPOINTMENTS APPEAR EVERY THURSDAY

INTERNATIONAL WESTMINSTER BANK PLC

NOTICE TO HOLDERS OF US DOLLARS FLOATING RATE CAPITAL NOTES 1984

Copies of the Annual Report and Accounts of International Westminster Bank PLC for the year ended 31 December 1982 may be inspected during usual business hours at the Registered Office, 41 Lothbury, London EC2P 2BP.

E. B. CULLEN,
Secretary.

41 Lothbury,
London EC2P 2BP.

DIVIDEND NOTICE

Pursuant to a resolution of the Ordinary General Meeting of Shareholders, held on 8th March, 1983, a dividend of US$0.70 per share will be paid on 11th April, 1983, to all shares outstanding at 11th March, 1983

Dividend cheques will be sent to registered shareholders.

Shareholders are being offered the option of reinvesting their dividends in new shares of the Fund at the Net Asset Value calculated on 11th April, 1983, without any further expenses. The number of shares issued as a result of exercising this option may be rounded either up or down upon the *shareholders' instructions.*

Instructions to exercise the reinvestment option should be received by Banque Paribas (Luxembourg) S.A., 10A Boulevard Royal, Luxembourg, Paying Agent, at the latest on 8th April, 1983. Balances resulting from the rounding shall be settled at the latest on 15th April, 1983.

For the Board of Directors,
The Secretary.

LEGAL NOTICES

No. 001048 of 1983

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ATCOST STRUCTURES LIMITED and in the Matter of the Companies Act 1948.

A petition to wind up the above-named company presented on the 18th day of February 1983 by Morgan Lewis Limited, whose registered office is situate at Mardy Farm, Llanwenarth Citra, near Abergavenny, Gwent, claiming to be a creditor of the Company will be heard at the Royal Courts of Justice, Strand, London, WC2A 2LL *on Monday the 28th day of March 1983* at 2.30 pm. Any creditor or contributory wishing to oppose or support must ensure that written notice reaches the undersigned by 1600 hours on Friday 25th March 1983. A copy of *the petition will be supplied by the* undersigned on payment of the prescribed charge.

Messrs FRANCIS & CROOKENDEN,
31 Great Queen Street,
London WC2B 5AH. Ref. JT/JM
who are the London Solicitor agents for:
Messrs MALCOLM THOMAS & CO.,
11 Portland Square,
Bristol BS2 8ST.
Solicitor for the Petitioner.

IN THE MATTER OF COMPANIES ACT 1948 AND IN THE MATTER OF DAVENPORT (SHOES) LIMITED
Regd. Office: 423 Alexandra Avenue, Harrow, Middlesex

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948 that a Meeting of the Creditors of the above-named Company will be held at Kings Head Hotel, High Street, *Harrow, on 28th March 1983* at 3.00 pm for the purposes mentioned in Sections 294 and 295 of the said Act.

Dated this 8th day of March 1983.

By Order of the Board,
J. A. DAVENPORT, Director.

UK COMPANY NEWS

Heavy charges hold back Granada

TAXABLE profits at Granada Group had not been maintained at the level of the last year, Mr Alex Bernstein told members at the annual meeting. However, he said that this did not dim his confidence in the longer term.

The trading surplus so far in the current year was "significantly larger" than for the corresponding period last year, Mr Bernstein said. This was mainly due to increased rental businesses both at home and overseas, but depreciation and interest charges were at present "a heavy load," he added.

Mr Bernstein pointed out that the state of the economy continued to affect businesses and that made it more than usually difficult to predict profits for the current year, particularly since he did not know what influence the Budget would have.

Three years ago Granada had 20,000 video recorder customers. Now there were 350,000 in this country, Europe and North America. This would create considerable long term benefits for the company, which would be helped by the agreement between Japan and the EEC on video recorder imports, which seemed likely to stabilise the market.

However, Mr Bernstein continued, this rental investment created a heavy load in depreciation and interest charges which were substantially larger than last year.

The recession continued to cause adverse trading conditions for other businesses, but in the circumstances they were performing well.

Television advertising revenue was up 8.5 per cent over last year, but this was not enough to offset the subscription for the fourth channel, which would amount to over £15m in the current financial year.

At other AGM's chairmen reported as follows:

While Mr E. S. Margulies of S. and W. Berisford said he had to sound a note of caution in the short-term, he told members he remained confident in the longer term.

Some of the businesses within the portfolio were faring better than last year, he said, but others continued to be faced with "very difficult conditions."

Although the current year would benefit from a full year's contribution from British Sugar, Mr Margulies did not expect the contribution from trading and other processing companies to be the same as in the last year.

Reasonable confidence in the future was expressed by Sir David Nicolson of Farmer Stedall. The company is unquoted and operates in the used plant and machine tool industry.

Sir David pointed out that times were very difficult in the engineering industry but he said there had been a number of good enquiries. This included two separate requests from overseas governments for detailed information which might result in the purchase of "a substantial facility."

Substantial stocks of power presses and other major machines had been bought and were being re-erected. The company was devoting much effort to the marketing of power presses from British Leyland at Liverpool.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Lawtex, Trafford Park Estates, Tweefontein United Collieries, Wolseley-Hughes.

Finals: BTR, W. Canning, Great Northern Telegraph, London and Manchester, Hugh Mackay, Rowntree Mackintosh, Thomas Tilling, Turner and Newall.

FUTURE DATES

Interims—	
Amalg. Distilled Products	Mar. 23
Beazer (C. H.)	Mar. 18
British Car Auction	Mar. 17
City of Aberdeen Land Assoc.	Mar. 23
Peachey Property	Mar. 22
Prossac	Mar. 24
Strong and Fisher	Mar. 18
Finals—	
Al Industrial Products	Mar. 25
BBA	Mar. 24
Cattle's	*Mar. 17*
Church	Mar. 23
Eagle Star	Mar. 23
Highcroft Investment Trust	Apr. 21
Montfort (Knitting Mills)	Mar. 17
Richards (Leicester)	Apr. 7
Termac	Apr. 28

Second half downturn at Beatson Clark

Although second half pre-tax profits fell from £1.13m to £712,000, full year figures at Beatson Clark showed a modest improvement from £2.34m to £2.36m.

Turnover of this manufacturer of glass containers rose from £28.14m to £28.68m for the 52 weeks to January 1 1983. The final dividend is raised from 5.5p to 5.7p net for an improved total of 9p against 8.5p.

Operating profits were little changed at £2.44m against £2.43m, and the pre-tax figure was after interest charges down from £95,000 to £79,000. There was a tax charge of £923,000 compared with £700,000. Stated earnings per 25p share fell from 28.9p to 25.3p.

Commenting on the year's figures, Mr David B. Clark, chairman, says that after an encouraging start to 1982, trading became more difficult as the year progressed. The benefits of lower inflation and of a continuing cost reductions were offset by a lower level of activity.

In the current year, he says, there are few signs of growth in the home market for glass containers. There has been a reversal of the downward trend in the group's export sales and he adds that it will benefit from current trends in energy prices and from the gradual increase in economic activity at home and abroad.

Geers Gross

Geers Gross' £4.3m cash call, announced a month ago, has met with a favourable response from shareholders. Of the 2,645,730 shares offered at 163p each, just over 97 per cent were applied for. The balance has been sold in the market at a net premium of about 10.9p per share.

Winding-up orders made against 76 companies

Compulsory winding up orders against 76 companies were made by Mr Justice Vinelott in the High Court. They were:

Ogden and Kelly, Brunlick, Nigerian Development Company, *Woodlea Products*, Ridgeglow, Aritima, Keeler Haulage.

S & S Garments, Partridge Breeders (UK), Kent Flooring Co, Trawltone, A. W. Lowther and Son (Roofing), Onslowgate.

Paula Lee, Ronald Joyce, Graylaw Holdings, Air-Truck International.

Meanwhile Leisure Products, Robert P. Armitage and Co, Geoff Smith (Transport), Haven Haulage, *Dennis Jezzard (Coinmatics)*, Serio, Gradesouth, Krystex.

East and West Leather Merchants, Rile Kent, Kustom Trucking (UK), Sherrard Skips, Broughgrange, Jewelfell, Cityspan.

Tony Williams (Football Promotions), Bowlbray, Magnum Garages, Link Service Stations, Deepbore Metalworking, Regalderby, Leisuronics, Personrite, *United Enterprises Garage*, Gatwick Pictures.

Graylaw Pond, Link Petroleum, Osman and Rapley Co, Senrole, Etnalynn, Babage Computer Recruitment Consultants, Hanham *Building* Contractors (Bristol), Grailplan.

Baron Toys, Vervvale, E. W. Church (Design and Build), Park Hill Engineering, Telford Show Centre, Zonemeet, Coachbench, Acechoice.

Domisland, Hugsbury, Laurence Hayward, Villa Galicia Restaurants, SD (Restaurants), New Generation Gas Appliances, Edro Automobiles, Cardview, *Eagle Design and Construction.*

Western Loft Conversions, Byron Plant Hire, Kong Nam Restaurant, Interwise, Maitland and Sons, Warrens Records, Advanced Office Equipment, Lantower, Roy Nadelle (London).

Compulsory winding-up orders made on March 7 against Fili Plu and Style Flag were rescinded and the petitions dismissed by consent.

Metalrax profits show little change at £1.6m

WITH second half profits of £1.03m against £1.09m, Metalrax Group finished 1982 with pre-tax profits little changed at £1.64m against £1.61m. This followed a forecast by the directors at the halfway stage that the group would do well to match figures for the previous second half.

At the halfway stage the directors also forecast a rise in the final dividend—which has been effectively lifted from 1.45454p to 1.6p, raising the total from 2.13635p to 2.3p. A one-for-ten scrip is again proposed.

Earnings per 5p share were shown as rising from 4.5p to 4.66p.

Margins of this Birmingham-based engineer have been maintained, say the directors, with turnover up from £20.68m to £21.1m.

Tax for the period amounted to £525,000 (£455,000). Extra-ordinary debits last time took £79,000.

Securicor outlines cash position

In his annual review of 1981/1982 Mr Peter Smith, the chairman of the Securicor Group, tells members that the company's cash flow forecast for 1983 indicates that its current plans can be fulfilled without the need to raise further equity or long term capital.

He reveals that although in the short term the group should be adequately covered by existing and presently unused finance lines available, in the longer term the financing of the joint venture with British Telecom would call for separate funding.

It is intended, Mr Smith says, that this should be achieved by methods which would limit the group's commitment to provide permanent capital to the order of £5m which it would seek to fund either by new equity capital or long term loan bonds.

On the future prospects the chairman says he sees no reason why the policies which have sustained the group so well in the recent difficult years should not continue to sustain it creditably in the current year.

He believes the policies equip the group particularly well to take full advantage of any substantial national return to general commercial prosperity.

As reported on February 10, group pre-tax profits for the year to September 24, 1982 advanced to £11.41m, an increase of 22 per cent over the previous year's £9.32m. Turnover totalled £237.65m (£194.62m).

Profits of Security Services, in which Securicor holds 50.71 per cent of the equity capital, rose from £7.96m to £9.43m.

Securicor's AGM will be held at the Richmond Hill Hotel, Surrey, on March 30, at 12.30 pm.

De Beers

De Beers Consolidated Mines Limited

Provisional Annual Financial Statements and Declaration of Dividend

The following are unaudited abridged consolidated financial statements for the year ended 31st December 1982 together *with comparative figures for the year ended 31st December 1981.*

CONSOLIDATED INCOME STATEMENT

	1982 R millions	1981 R millions
Diamond account	287.5	360.3
Investment income	149.0	179.8
Other interest	49.5	62.7
Share of retained profits after tax of associated companies	240.0	264.5
Net surplus on realisation of investments	10.8	3.1
Surplus on realisation of fixed assets	1.0	0.1
	737.8	870.3
Deduct:		
Prospecting and research	59.0	62.5
General charges	15.7	15.3
Interest payable	94.8	38.3
Amount written off fixed assets and loans	2.2	0.4
	171.7	116.5
Profit before tax	566.1	753.8
Deduct:		
Tax	89.0	97.3
State's share of profit under mining leases	—	3.8
	89.0	101.1
Profit after tax	477.1	652.7
Deduct:		
Profit attributable to outside shareholders in subsidiaries	32.8	22.6
Dividends on preference shares	1.8	1.8
	34.6	24.4
Net profit attributable to deferred shareholders before extraordinary items	442.5	628.3
Deduct:		
Share of extraordinary losses of associated companies	14.9	—
	427.6	628.3
Deduct:		
Transfers to reserves including share of retained profits of associated companies	254.7	288.5
Deferred dividends — 37.5 cents per share (1981: 50 cents)	134.9	179.9
	389.6	468.4
Increase in unappropriated profit	38.0	159.9
Earnings per deferred share before extraordinary items — cents:		
—excluding share of retained profits of associates	56.3	101.1
—including share of retained profits of associates	123.0	174.6

CONSOLIDATED BALANCE SHEET

	1982 R millions	1981 R millions
Issued share capital:		
Preference shares	4.0	4.0
Second preference shares	2.8	2.8
Deferred shares	18.0	18.0
	24.8	24.8
Non-distributable reserves	1 039.5	849.3
Distributable reserves	2 886.8	2 712.8
	3 951.1	3 586.9
Less:		
Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition	20.2	21.2
	3 930.9	3 565.7
Outside shareholders' interests in subsidiary companies (Note 2)	220.5	59.7
Long-term liabilities (Note 2)	53.2	64.0
	4 204.6	3 689.4
Fixed assets:		
Claims, mining interests and property	162.8	153.5
Plant, permanent works and buildings	36.0	55.2
Unlisted trade investments	321.9	261.0
	520.7	469.7
Stores and materials	64.3	68.6
Diamond stocks (Note 3)	1 832.3	1 403.1
Listed investments (Market value R3 060.0 million—1981: R2 292.4 million)	1 612.7	1 376.2
Unlisted investments (Directors' valuation R223.8 million—1981: R568.1 million)	129.3	161.7
Long-term loans	96.8	156.0
Loan portion of tax	112.2	131.7
Deferred tax and State's share of profit	8.5	8.5
Cash	127.8	224.0
Other current assets	651.5	579.5
	779.3	803.5
Less:		
Current liabilities:		
Tax	20.2	24.3
Dividends	90.9	90.9
Creditors	840.4	774.4
	951.5	889.6
Net current liabilities (Note 2)	(172.2)	(86.1)
	4 204.6	3 689.4

Notes:

1. De Beers Industrial Corporation Limited ("Debincor") ceased to be a subsidiary following its merger on 1st January 1982 with Anglo American Industrial Corporation Limited, which became a 25 per cent owned associate of De Beers on that date. In order therefore to facilitate the comparison of the Group's results, the Group's share of the retained profits of its associated companies is now grouped with investment income and other interest.
2. **Group borrowings**
   The increase of R160.8 million in outside shareholders' interests in subsidiary companies arises largely from the issue by subsidiaries of R200 million redeemable preference shares and the dividends of R7.4 million accrued thereon, less the elimination of the minority interest in Debincor.
   The net increase in preference shares, long-term and net current liabilities over the year was R282.7 million.
3. **Diamond stocks**
   Diamond stocks increased by R429.2 million of which R280.2 million is attributable to an increase in stocks and R149.0 million to the change in the Rand/Dollar exchange rate as applied to the opening stock.

Diamond Market

Stocks in the cutting centres have been reduced to realistic levels and since the end of the year confidence has markedly improved. CSO sales are running at a considerably higher level than in the previous six months and demand has expanded to some extent into higher categories. However, the market for the larger and better qualities remains restricted.

Consumer demand for diamond jewellery in 1982 was only 3 per cent below the record level of 1981 which must be regarded as satisfactory in a year of recession.

Christmas sales were better than expected and the retail trade is in a more optimistic mood than for some time.

Declaration of dividend No. 126 on the deferred shares

Dividend No. 126 of 25 cents per share (1981: 25 cents) being the final dividend for the year ended 31st December 1982, has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 25th March 1983, and to persons presenting coupon No. 70 detached from deferred share warrants to bearer. This dividend, together with the interim dividend of 12.5 cents per share declared on 24th August 1982, makes a total of 37.5 cents per share for the year (1981: 50 cents). A notice regarding payment of dividends on coupon No. 70 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 25th March 1983.

The deferred share transfer registers and registers of members will be closed from 26th March 1983 to 8th April 1983, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 5th May 1983. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 28th March 1983 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 25th March 1983.

The effective rate of non-resident shareholders' tax is 11.001 per cent.

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board
H. F. Oppenheimer
J. Ogilvie Thompson } *Directors*

16th March 1983

Copies of this report will be posted to all shareholders.

Head Office: 36 Stockdale Street, Kimberley, South Africa.
London Secretaries: Anglo American Corporation of South Africa Limited,
40 Holborn Viaduct, London EC1P 1AJ.
Transfer Secretaries: Consolidated Share Registrars Limited, 40 Commissioner Street, Johannesburg,
(P.O. Box 61051, Marshalltown, 2107)
Charter Consolidated P.L.C., P.O. Box No. 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa

BIDS AND DEALS

Davenports Breweries rejects £21m bid

By Gareth Griffiths

THE BOARD of Davenports Breweries has rejected a £21m bid for the company by Wolverhampton and Dudley Breweries.

Davenports is to write to its shareholders telling them of the decision. The company said it believed there was a future for both companies operating independently. Mr Neville Frost, the managing director, said Davenports made no secret of its wish to remain independent.

Mr Robert Houle, Wolverhampton and Dudley's finance director, said yesterday that his company would have to reconsider its position. This could take a few days, he said. Wolverhampton and Dudley owns 9.4 per cent of the Davenport equity.

In the year to October 2, 1982 Davenports reported pre-tax profits of £2.17m on a turnover of £27.9m. Wolverhampton and Dudley reported taxable profits of £11.34m on turnover of £80.95m in the year to September 30, 1982.

The Wolverhampton and Dudley bid provided for every two ordinary shares in Davenports, one ordinary share in Wolverhampton and Dudley and 230p in cash. This would have involved a cash payment of £8.5m in cash.

Wolverhampton and Dudley wants the acquisition in order to expand its product portfolio and to increase its geographical exposure. There has been a strong upward move in the Davenports share price since the autumn because of takeover speculation.

EVERTON COACHES SOLD TO HARDINGS

The assets and business of Everton Coaches, Chapel Bridge, Droitwich, have been sold to Hardings Coaches (Redditch) by Alastair Jones and Roger Dickens, of chartered accountants Peat, Marwick, Mitchell & Co., Birmingham.

The receivers have been informed that the new company will, therefore, be taking over most of the existing services previously provided by Everton's, thus ensuring continuity of its service.

600 GROUP LIFTS CLAUSING INTEREST

A 13D filing with the SEC by 600 Group Inc. of London, a subsidiary of 600 Group, discloses that the company has increased its stake in Clausing of the U.S. from 25 per cent to 28.8 per cent of the common stock.

Counter approach made for major part of Cope

BY DAVID DODWELL

A COUNTER to the Dowable consortium bid for Cope Allman emerged yesterday with the announcement that an approach had been received "for a major activity" of the group.

Cope Allman has engineering, leisure and packaging interests. The company yesterday refused to disclose who had made the approach, or which aspect of the company's business had attracted the bidder's interest.

A 60p a share offer from Dowable—which values the company at £23.7m—was made eight days ago. Dowable is a private limited company set up in July last year especially for the purpose of bidding for Cope Allman.

It comprises British Car Auctions and Attwoods, headed by Mr David Wickins, Hawley Group, headed by Mr Michael Ashcroft, Lin Pac, headed by Mr Evan Cornish, and two Robert Fleming investment trusts.

Mr Michael Doherty, Cope Allman's chief executive, said yesterday: "All I can say is that the new approach is a serious one, and that talks are taking place with a very large and reputable group." He predicted a further announcement within 10 days.

News of the competing bid came with fresh criticism of the Dowable offer. Mr Doherty described the price offered as "derisive."

"It takes no account of the company's prospects and asset backing, and is not in the best interests of shareholders or employees," he said. The board "strongly advised" shareholders to take no action until "detailed reasons" for rejection of the offer were made known.

A spokesman at Morgan Grenfell, the merchant bank advising Cope Allman on the approach, said yesterday: "The approach has been about for some time, and was raised again with the company when news of the Dowable bid broke.

"The bit under discussion is one that the board of Cope Allman don't necessarily feel is critical to the group as a whole. They have felt for some time that in the right circumstances they would not be averse to disposing of it."

Funds to examine Kwik-Fit deal

BY RAY MAUGHAN

The National Association of Pension Funds expects to announce today that it has formed a case committee to examine the proposed £5.2m offer by Kwik-Fit (Tyres & Exhausts) for property development group, Crest International Securities.

The committee is expected to number three pension fund managers and has been drawn together to discuss the implications of the property bid.

Institutions which are already understood to be looking critically at the offer are believed to speak for some 20 per cent of Kwik-Fit's equity.

The boards of both Kwik-Fit and Crest have much in common and the deal has been presented as an opportunity to eliminate the potential conflict of interests which might exist for the Kwik-Fit chairman, Mr Alec Stenson, and the chief executive, Mr Tom Farmer.

The bid, as outlined to shareholders in both companies, implies the purchase of property portfolio at a premium to its net worth of £4.45m.

The caucus of pension fund opposition centres principally on the premium Kwik-Fit is paying for what the institutions anyway regard as a secondary portfolio.

The criticism also extends to the supposition contained in the offer document that Automotive Products may be willing to surrender the leases on the 33 automotive service centres owned by Crest. Kwik-Fit has said that the sites could ultimately have potential use for its own purposes.

Kwik-Fit has attempted to show that the values imputed to the Crest portfolio have been struck entirely on the basis of external, professional appraisals and that the enlarged group will not be embarking on speculative property development; rather, Crest's property expertise will be devoted solely to the expansion of Kwik-Fit's operational base.

Howard calls in Australian aid

BY CHARLES BATCHELOR

Howard Machinery, Norfolk-based maker of farm machinery, plans to give an Australian investment and management company day-to-day control of its important local subsidiary Howard Rotavator.

Milai Pty will be given a three-year option to acquire 49.9 per cent of Rotavator, during which period it will also assume management control while continuing to report to the Howard board.

Howard decided to call in outside Australian management expertise for its hard-pressed subsidiary when it concluded that the effects of the drought would continue for some time, said Mr Nigel Dunnett, Howard's finance director.

Rotavator had net assets of £3.3m at October 31 1982, 25 per cent of total group assets and accounted for nearly 15 per cent of Howard's turnover. It made a trading loss of £287,000 last year.

Negotiations are still continuing with Milai and final agreement is hoped for by mid-April.

"We have been looking for a defensive measure to make sure we could keep our presence in Australia without having to go into liquidation or something like that," said Mr Dunnett.

During the period of the agreement Milai will also advance funds to Rotavator, freeing Howard of any funding obligation. At the end of the agreement Rotavator would revert to a normal majority-owned subsidiary relationship with the Howard group.

HENRY SYKES

Alco Standard Corporation of the U.S. says that it has acquired over 90 per cent of UK pump maker Henry Sykes for some $5m (£3.3m at current rates).

Alco says that shares were purchased through its tender offer announced last January at a price of about 59 cents per share and by prior agreements through two institutional holders.

National Westminster Bank PLC

NatWest announces that with effect from Wednesday, 16th March, 1983, its Base Rate is reduced from 11% to 10½% per annum.

The basic Deposit and Savings Account rates are reduced from 8% to 7½% per annum.

41 Lothbury, London EC2P 2BP

Coutts & Co

Coutts & Co. announce that their Base Rate is reduced from 11% to 10½% per annum with effect from the 16th March 1983 until further notice.

The Deposit Rate on monies subject to seven days' notice of withdrawal is reduced from 8% to 7½% per annum.

Barclays Bank Interest Rates.

BASE RATE

Barclays Bank PLC and Barclays Bank International Limited announce that with effect from the close of business on 15th March 1983, their Base Rate was decreased from 11% to 10½% per annum. This new rate also applies to Barclays Bank Trust Company Limited.

RATES FOR SAVERS

Bonus Savings and Payplan Accounts. Interest paid was decreased from 10¼% to 10% per annum.

Ordinary Deposit Accounts. Interest paid was decreased from 8% to 7½% per annum.

BARCLAYS

Reg. Office: 54 Lombard St., EC3P 3AH. Reg. No's 48839, 920880 and 1026167.

Standard Chartered

announces that on and after 15th March, 1983 its Base Rate for lending is being decreased from 11% to 10½% p.a.

The interest rate payable on deposit accounts subject to seven days' notice of withdrawal will be decreased from 8% to 7½% p.a.
The interest rate payable on High Interest deposit accounts subject to twenty-one days' notice of withdrawal will be decreased from 9% to 8½% p.a.

Standard Chartered Bank PLC

TECHNOLOGY

EDITED BY ALAN CANE

'CLOTHING INDUSTRY FRIGHTENED OF INNOVATION'

The strangest of fashion shows

BY ELAINE WILLIAMS

ONE OF the strangest fashion shows in the history of the British clothing industry will take place in London today. It is being held by UK retailers such as Marks & Spencer, to show why they import so many clothes rather than buy British.

Mr Martin Frankel, chairman of the British Clothing Centre, believes that a major reason why UK clothing makers' products fail to win favour is lack of investment in new technology.

"The clothing industry is frightened of the words research and development," he said.

"It looks no further than the end of its nose. The industry's poor position today is not solely the fault of low-cost imports. The quality of its products is not as good as some of its competitors, even in the high-value end of the market. British industry should face up to its problems," Mr Frankel said.

These stern words come from a man who has been trying to encourage clothing manufacturers to look more closely at new technology. The British Clothing Centre was set up several years ago with government sponsorship as a consulting and research company with the objective of helping clothing manufacturers improve their performance.

It has proved to be an uphill struggle. "The industry trusts only what it knows, and it doesn't trust that much," says Frankel. "Technology is only adopted by clothing companies only if they can see an immediate and an obvious advantage," Frankel says.

"They leave developments up to the equipment and cloth makers—that means they don't always get what they want."

Frankel illustrated the industry's lack of interest in new technology by the fact that the Department of Industry's Textiles and Other Manufacturers Requirement Board offers up to 50 per cent funding for new products and ideas.

He said that the board rarely spent the whole of the budget because manufacturers were unwilling to commit some of their own money. "There are a million reasons to say 'No'," he said.

In 1978 the Wool Industry Research Association (WIRA) published a survey on behalf of the European Commission which showed that only 8 per cent of sewing machines used in European companies were automatic or semi-automatic.

A similar survey a decade earlier showed the same percentage. According to Mr Frankel the number of true automatic machines in use has doubled over the last five years.

Mr Frankel said that there were several areas where research needed to be applied in the industry. Namely, materials handling, the sewing station and the application of microprocessors and computers in production and process control.

The British Clothing Centre seems determined to press the industry to introduce new methods and is now seeing a very gradual change in attitude among some of the clothing manufacturers.

For example, one of the areas where the BCC has made some progress is in the introduction of a computer system for accurate costing of garments before going into mass production. This system has been developed mainly by a small consultancy called Methods Workshop.

This company specialises in productivity improvement on the shopfloor and has transferred the laborious manual methods of working out the labour content of a particular job into the hands of a small computer.

Called General Sewing Data, or GSD, the system uses data stored in the computer on the various hand operations needed to carry out a particular sewing job. How much operations may be needed to make a jacket or a pair of trousers but each operation has to be separately timed and costed.

It has applications at both the high fashion, low volume end of the market and mass produced clothes. For example, a manufacturer may have to produce 60 samples of different designs of which only 10 may end up on the production line. However, each design must have been costed for manufacture.

Accurate costing can be difficult by conventional methods. There are 40 separate operations in a pair of trousers and 80 to sew a jacket. However, it takes only 10 minutes to make a pair of jeans and 60 to 90 minutes for a jacket.

Mr Jim Mercer, chairman and managing director of Methods Workshop, said: "People at work generally pick things up, do something with them and put them down again."

He said that General Sewing Data simply allowed people to ascertain the cost of carrying out those operations without having someone to stand over a machinist with a stopwatch.

In addition, clothing manufacturers have an almost infinite number of styles to choose from when designing a new product. Frankel says: "The combination of styles is more varied than the number of permutations on the football pools."

The GSD system has been successful, and Mr Mercer has sold it to more than 100 companies throughout the world either directly or through franchise agreements. The company hopes to sign a franchise with C-Itoh, a major Japanese trading group soon.

Now Mr Mercer's company is looking at the possibilities for developing better computer aided design and manufacture systems in the clothing industry.

Methods Workshop has already spent nine months developing the detailed specifications and hopes to gain some funding from the Department of Industry. Initially, the design will be aimed at shirts and blouse manufacture because it is simpler to automate.

One of the greatest problems in introducing effective robot systems in the industry is the difficulty in handling delicate fabrics. Suggestions that some method of stiffening fabrics so that they can be picked up by robot arms have been made, but there is no commercial machine yet available.

There have been some developments in the clothing industry such as automatic cloth cutting machines. Several years ago Hepworth introduced a system, affectionately known as Charlie, which works out patterns based on information fed into the computer.

Some of the small to medium sized companies in the industry are also realising that the computer can be of help in running a business more efficiently so that BCC is able to give some advice on the choice of computers systems for management, accounting and stock control problems. This seems to be an area where the BCC is having its greatest success.

DORSET ANSWER TO OIL SPILLS

Shark to gobble-up oil pollution in the lagoons

OIL POLLUTION on beaches around the world, in harbours or the open sea has long been a growing problem, but a Dorset company has recently come up with a system which might provide at least a part answer to a difficult environmental hazard.

Oil Recovery International asked the Warren Spring Laboratory to carry out an independent assessment of its Shark 5000 oil recovery unit. This has been designed to deal with very high viscosity products, particularly in cold environments.

Although the report covered substantial tests on a wide variety of different oils in different conditions, it did conclude that the Shark 5000 performed substantially as the manufacturers had predicted.

The essential difference between the Shark 5000 and similar units is that the Recovery International one uses an endless moving chain assembly instead of using the conventional polypropylene mop.

In the Shark 5000 the 1.22 metre wide open chain is moved downward into the pollutant layer. The escape of fluids trapped in the individual links is prevented as the chain is rotated upwards and away from the pollutant surface by shielding it with a polyethylene lined metal tray.

Mainly, the Shark 5000 has been designed to deal with heavily emulsified oils and particularly in lagoons contaminated by many tons of weathered crude oil which has become too thick to handle by conventional methods.

Oil Recovery International has worked on the basis that there was a need for a machine, simple to operate, with the nature of the basic element such that modular construction could provide a unit capable of recovering say 30 tons of oil an hour for lagoon clearance or a much smaller unit for industrial use.

ORI claims that the Shark 5000 can operate effectively on land or water, either as a mobile or semi-permanent unit. It is normally powered by a two-cylinder diesel engine with a 25 litre integral fuel tank and provision for an independent 45 gallon fuel drum to avoid stops for refuelling.

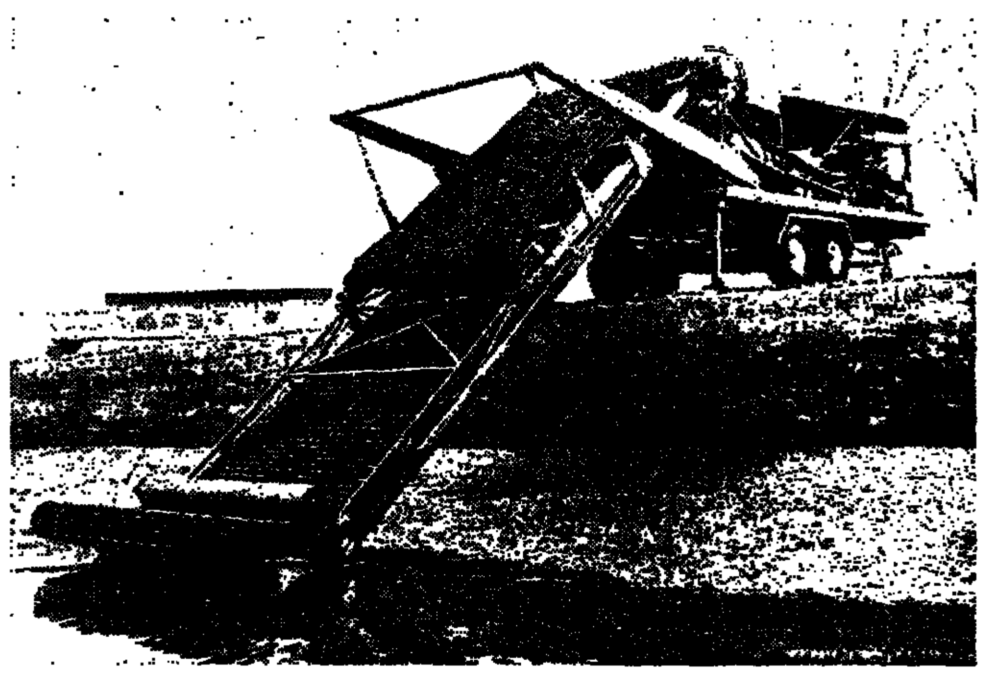
The unit can be trailer mounted with a turntable for swivelling or skid mounted for operation in a semi-permanent location.

Another variation is available for fitting to existing pollution clean-up vessels which will enable them to deal with oils and emulsions too thick for their existing equipment.

The Shark 5000 can also be fitted with infection equipment for dosing recovered oil with a viscosity reducer or emulsion breaker to help subsequent transfer and pumping operations.

Full technical details and a copy of the Warren Spring Laboratory report are available from Oil Recovery International, Tuckton Bridge, Christchurch, Dorset. (A. D. Brow, Deputy Chairman, 0202 486666).

MAX COMMANDER



The Shark 5000-20 unit can handle heavy oils and water in oil emulsions at up to 30 tonnes an hour. Recovery is effected by a chain link system and needs only one man to operate the system

Networking

GenRad's Cadmate

A NETWORKING product called Cadmate has been announced by GenRad, the automatic test equipment (ATE) company, that will allow a user to automatically download description files for printed circuit boards from a computer aided design (CAD) screen and keyboard system.

The connection can be made from CAD equipment offered by Computervision, Applicon, Scientific Calculations or Racal-Redac.

Cadmate operates in conjunction with software supplied by the Cad system maker to create file descriptions of PC boards. In a typical application, the database for a board is created initially on the Cad system. The Cad operator then processes the data base to create a compatible file for the GenRad system.

The new file can be transferred from Cad to Ate system by one of five options: IBM 2780 bisynchronous cable link, DECnet cable link, nine-track magnetic tape, floppy disk or paper tape.

The development is important in that it allows electronic integration of Ate and Cad, easing the feed-forward of product information from design to manufacturing process. It brings nearer the realisation of CIM, computer integrated manufacturing, in which all the aspects of production are connected by intelligent links. More on 0628 39181.

Circuits

Telephone dialling

MOTOROLA Semiconductors has developed an integrated circuit on which all the functions needed for dual tone multifrequency dialling in telephone sets are implemented.

The circuit, designated MC34011, contains a speech transmission circuit, a two-tone ringer circuit and the dialling tone generator. It is a 40-pin device in bipolar linear technology and it interfaces with keyboard, microphone and earphone inserts, piezoelectric tone ringer and the telephone line.

Very few external components are needed, yielding a cost-reduced system with low component count. More on 01 352 6041 ext 34.

Systems

Logica contract

ONE OF Britain's leading computer systems companies, Logica has won a £1.6m contract in the U.S. to provide an integrated control system for BART (Bay Area Rapid Transport System).

The system is a major replacement and modification project of BART's central computer and is part of a £330m five-year capital improvement plan. Expansion would have been difficult with the present 13-year-old computer.

With the new control system BART will be able to run 75 trains at one time on the 71 mile system instead of 49 as at present. Microprocessors at stations along the line will communicate with a central computer to maintain automatic supervision of the whole system.

Telexing

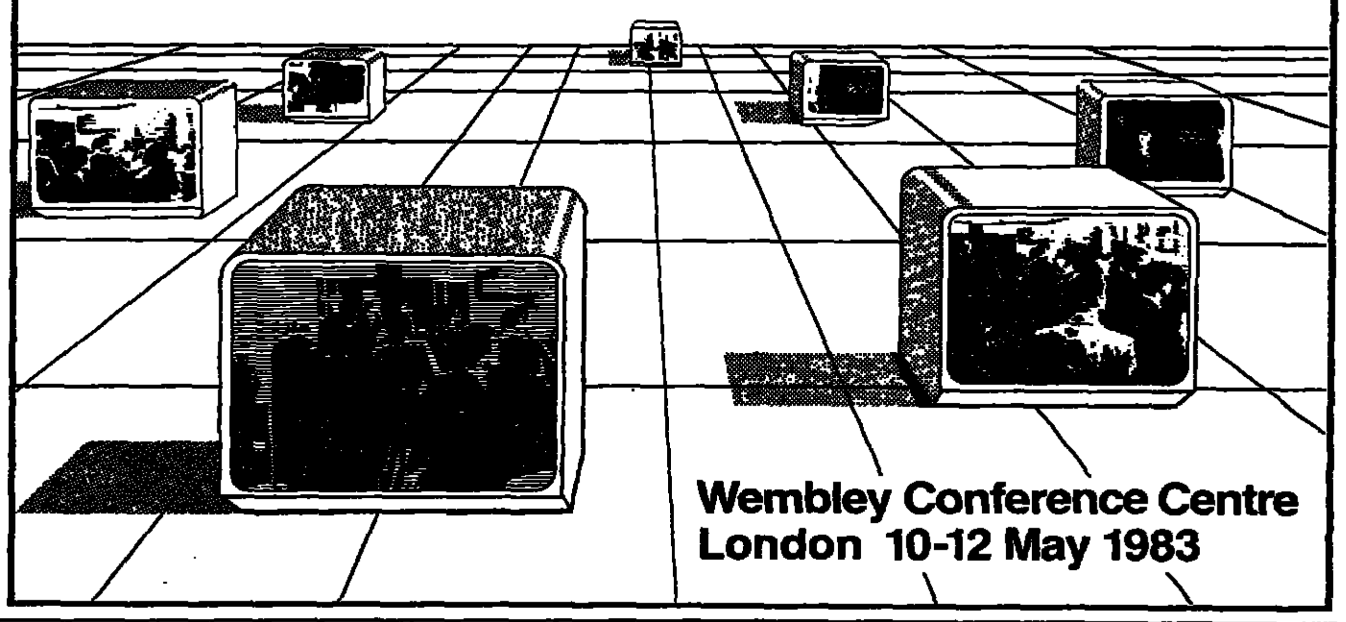
Start-up automation

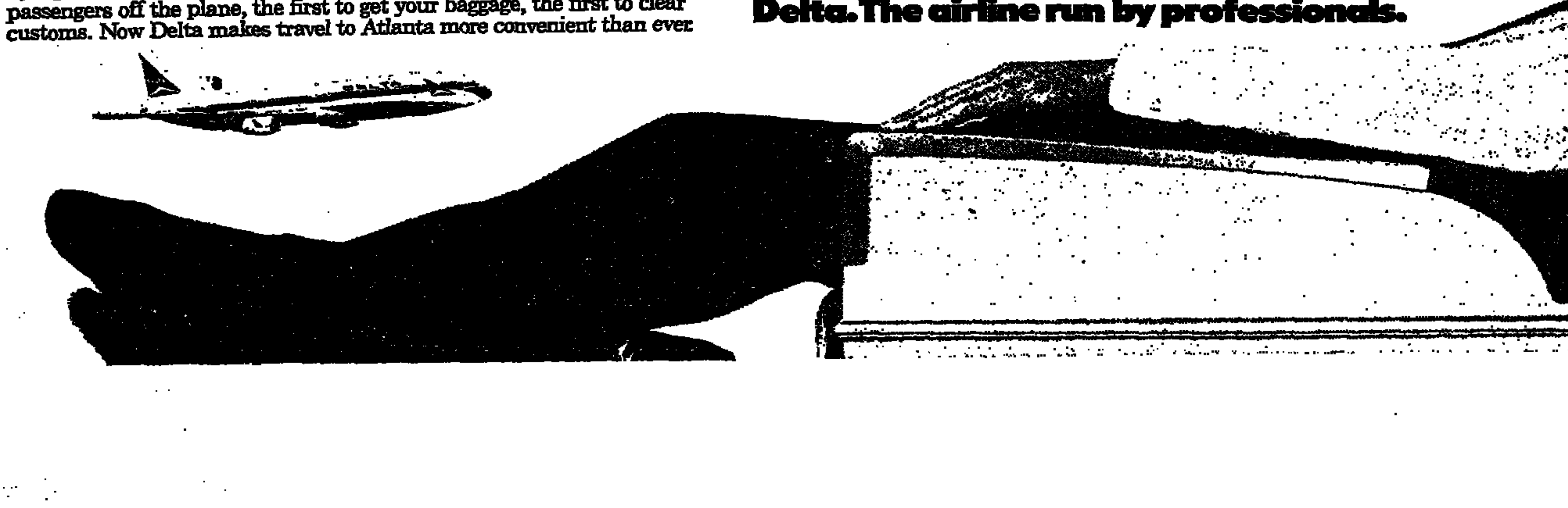
ALTHOUGH perhaps not everyone would agree with him, Mr Dennis West, managing director of Format Communications in Uxbridge, believes that the right place for most companies to start in terms of "the electronic office" is with the automation of their telex arrangements.

The new product he has for this purpose is a "Compact Telex Communicator," essentially a low-cost message switching system to which can be connected up to four telex lines (normally one or two), and the necessary message preparation screen and keyboard units, printers, word processors and computer systems.

Messages prepared externally are then queued in priority order and transmitted at pre-selected times on a 24-hour basis, including when the office is unmanned. Line costs can be reduced by batched transmission and there is no operator dialling; the machine does this automatically as necessary.

The switching unit itself costs from £3,500 and the company says that most Format systems recoup their cost in the first one or two years. Housing microprocessor and floppy store for messages and addresses, the unit is not much bigger than an electric typewriter. More on 0895 30678.





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[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

TRADED OPTIONS

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS 13,654

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

Mar. 15 Total Contracts 1,723 Calls 1,493 Puts 230

A FINANCIAL TIMES SURVEY
GOLD
APRIL 14 1983

The Financial Times is proposing to publish a Survey on Gold in its issue of 14th April. The provisional editorial synopsis is set out below.

1. Introduction The Gold market prospects for Gold price movements in the year ahead, etc.
2. Gold in the World Monetary System
3. Futures markets
4. London bullion brokers
5. Production
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مكتبة الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

[illegible]

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

"Asset Builder"	60.9	64.1	....	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Mngr Mar 15	56.7	61.2	....	—
MM Flexible Mar 3	47.7	50.3	....	—
Fixed Interest Mar 1	52.3	55.1	....	—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

Equity	212.4	218.7	....	—
Fixed Interest	154.1	154.8	....	—
Property	158.7	163.4	....	—
Deposit	137.9	137.9	....	—
Mixed	180.4	183.9	....	—
Indexed Stk.	113.4	113.9	....	—

London Life Managed Funds Ltd.

Equity (P.)	149.2	154.4	....	—
Fixed Int. (P.)	154.8	155.9	....	—
Property (P.)	116.7	120.7	....	—
Deposit (P.)	115.3	115.3	....	—
Mixed (P.)	141.6	145.1	....	—
Indexed Stock (P.)	119.4	120.2	....	—

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	268.6	—	....	—
Invest. Tst. Fd. Acc.	277.9	—	....	9.0
Property Fund Cap.	116.1	—	....	—
Property Fund Acc.	120.0	—	....	3.3
Flexible Fund Cap.	175.7	—	+0.4	—
Flexible Fund Acc.	181.5	—	+0.5	2.9
Fixed Int. Fd. Cap.	136.3	—	+1.0	—
Fixed Int. Fd. Acc.	141.1	—	+1.0	—
Gtd. Deposit Fd. Cap.	137.2	—	....	—
Gtd. Deposit Fd. Acc.	140.9	—	....	—
Equity Fund Cap.	139.4	—	−0.5	—
Equity Fund Acc.	143.7	—	−0.5	—
International Fd. Cap.	133.8	—	−0.3	—
International Fd. Acc.	137.8	—	−0.3	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

NOTES

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INTERNATIONAL CAPITAL MARKETS

Crocker National in $75m placing

By Mary Ann Sieghart

CROCKER National Bank, the American subsidiary of Midland Bank, is raising $75m in the Eurodollar market through a 10½ per cent, five-year bond, priced at par and led by Kidder Peabody.

Kidder admitted yesterday that several London houses had turned down offers of co-management on the grounds that the terms were too tight. These included Samuel Montagu, a "cousin" of Crocker through its Midland Bank connections.

The issue traded in the pre-market at a discount of 2-2¾ per cent, but Kidder admitted that it was buying some bonds back itself. Unusually for a Eurobond issued by a bank, this borrowing will not be subject to an interest-rate swap which can force the borrower to issue paper on tight terms.

The only other dollar new issue was a $60m floating-rate note from Scandinavian Finance, guaranteed by Scandinavian Bank. Priced at par, it carries a spread of ¼ point over the mean six-month London Inter-Bank Offered Rate with a 10-year life. The lead-manager is Morgan Grenfell. In the pre-market it was trading yesterday at a 1¼ per cent discount.

Commerzbank's DM 150m Escom deal was finally priced yesterday at a coupon of 8¼ per cent and a life of seven years. The issue seemed to be going well yesterday, trading at around par. The British Granada Group is raising DM 50m through a 7¾ per cent, five-year bond, priced at par and led by Bayerische Vereinsbank.

Toronto Dominion Bank is raising SwFr 100m through a 5¾ per cent seven-year private placement, priced at par. Credit Suisse is lead-manager. Another private placement in the Swiss sector came from Sanyo Denki: a convertible SwFr 20m bond with an indicated coupon of 4⅛ per cent, led by Swiss Bank Corporation.

Sweden is raising Y20bn in the Samurai market at a coupon of 8.3 per cent. The bond has a 10-year life at a price of 99.8 and is being led by Nomura Securities.

Amdahl Corp

IN HER review of the prospects of the plug-compatible computer makers (Financial Times, March 10 1983), Louise Kehoe referred in general terms to PCM involvement in alleged trade secret thefts and mentioned two pending cases which she had in mind.

Neither of these cases involves Amdahl Corporation, and there is no suggestion that Amdahl is involved in any such activities. We regret any such contrary inference which may have been drawn from the article.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for March 15.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 14¼ 89	75	112¼	112¾	[illegible]	[illegible]	11.28
Amro Bank 13 89	200	105	105½	[illegible]	[illegible]	11.78
BHP Finance 14⅛ 89	150	108⅝	109⅛	[illegible]	[illegible]	12.57
British Col Hyd 15¼ 92	150	117	117½	[illegible]	[illegible]	12.94
Canada 14⅜ 87	750	110⅞	111⅜	[illegible]	[illegible]	10.99
Canadair Ltd 12½ 88	175	104¼	105¼	[illegible]	[illegible]	11.36
Canadian Wheat 11¼ 90	50	[illegible]	[illegible]	[illegible]	[illegible]	11.16
Can Pac Ltd 14¾ 92	75	111¼	111¾	[illegible]	[illegible]	12.45
Can Pac Sec 15 89	75	109⅝	110⅛	[illegible]	[illegible]	12.59
Citicorp O/S 15 84/92	100	104¾	105¼	[illegible]	[illegible]	9.98
Coca Cola Int 9⅞ 92	100	24¾	25¼	[illegible]	[illegible]	10.75
Coca Cola Int 11¾ 89	100	105	105½	+0⅛	-0⅝	10.57
Credit Suisse 10½ 89	100	100½	101	+0¼	+0⅛	10.32
Deutsche Bk Fin 14⅛ 89	300	110⅝	111⅛	+0¼	0	11.71
Du Pont 11¼ 95	150	101⅛	101⅝	+0⅛	-0¼	11.02
Du Pont 14⅛ 88 WW	200	107⅜	107⅞	0	-0⅝	12.38
E.D.C. 10⅜ 88	100	99⅝	100⅛	-0⅛	-0⅛	10.76
E.D.F. 12¾ 87	150	103⅞	104⅜	+0¼	-0⅛	11.50
E.E.C. 11½ 95	200	99⅛	99⅝	+0⅜	-0⅛	11.59
E.I.B. 11 91	125	97¾	98¼	+0⅛	-0⅛	11.39
E.I.B. 15½ 92	100	114¼	114¾	-0¼	0⅛	12.72
Exp Dev Corp 11¾ 87	100	102	102½	+0¼	-0¾	11.06
Forsmarks 13¾ 92	75	105½	106	+0¼	-0⅛	12.64
Gaz de France 12⅛ 93	175	19⅝	20⅛	+0⅛	-0⅝	12.20
Gen Elec Credit 9⅜ 91	100	14⅞	15¼	0	0	10.66
Gen Elec Credit 12 89	100	106¾	107¼	+0⅛	-0½	10.44
GMAC O/S Fin 10½ 90	200	97	97½	+0⅛	-0¼	11.08
GMAC O/S Fin 15 87	100	108¾	109¼	+0⅛	-0½	12.88
Gulf Oil Fin 12⅛ 87	100	104	104½	+0⅛	-0⅝	10.97
IBM World Trade 12¼ 92	200	109¼	109¾	+0⅛	0	10.59
Lloyds Euro 11½ 94	100	17⅜	17⅞	0	-0¼	11.87
Manitoba Prov 11⅜ 89	125	102⅝	103⅛	0	-0⅝	11.89
Manitoba Prov 13¾ 89	100	108⅝	109⅛	+0⅛	-0⅝	11.69
Midland Int Fin 11½ 92	150	99⅝	100⅛	+0¼	+0⅛	11.48
Nat West Fin 11¾ 92	150	101⅛	101⅝	+0⅛	-0⅛	11.48
New Brunswick 15¼ 87	75	111½	112	0	-0⅝	11.62
Newfoundland 15½ 90	75	113½	114	+0¼	0	12.58
Nippon Credit 11⅛ 93	100	97	97½	+0⅛	-0⅝	11.73
Nova Scotia Prv 15¼ 89	75	113½	114	+0¼	-0⅛	12.08
Ontario Hydro 11¼ 89	200	102⅝	103⅛	0	-1	10.61
Ontario Hydro 12¾ 92	200	105⅞	106⅜	+0⅛	-0⅝	11.54
Ontario Hydro 15 92	150	116¼	116¾	+0¼	0	11.95
Prudential O/S 10⅝ 93	100	98⅜	98⅞	+0¼	+0¼	10.68
Prudential O/S 12¾ 87	150	106⅛	106⅝	+0⅛	-0¼	10.87
Quebec Hydro 11½ 92 D	100	99⅝	100⅛	-0¼	-0¼	11.50
R. J. Reynolds 12¾ 89	100	105	105½	+0⅛	-0⅛	11.53
Saskatchewan Prov 15 92	150	116⅛	116⅝	+0½	0	11.97
Skand Enskil 11½ 88	100†	99	99½	+0¼	+0¼	11.71
S.N.C.F. 11½ 93	100	98½	99	+0¼	+0¼	11.72
Swed Exp Credit 14¾ 90	100	108½	109	+0¾	+0⅜	12.75
Swiss Bk Corp 10¼ 90	125	99¾	100¼	+0¼	0	10.23
Texaco Capital 9¾ 90	150	94⅝	95⅛	+0¼	-0¼	10.83
U.B.S. 11 89	150	102⅝	103⅛	+0⅜	-0⅛	10.36
Walt Disney Pro 12½ 89	75	103½	104	+0⅛	-0⅜	11.60
World Bank 10⅜ 88	150	98⅜	98⅞	+0¼	+0⅛	10.73
World Bank 10⅞ 93	100	97¼	97¾	+0⅛	-0¾	11.38
World Bank 11⅛ 98	100	97⅝	98⅛	+0⅜	-0¾	11.38

Av. price changes: on day -⅛, on week -⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 8⅛ 92	80	101¼	101¾	0	-0⅛	8.01
Asian Dev Bank 8¼ 92	150	100⅞	101⅜	+0⅛	+0¼	8.07
Australia 6⅞ 93	200	99⅝	99⅛	+0⅛	+0⅛	7.83
Australia 7¾ 92	200	104¾	105¼	0	+0⅜	7.01
Bank of Tokyo 7¼ 90	100	100⅛	100⅝	+0⅛	+1⅜	7.17
Bayer Capital 7⅝ 89	150	103⅛	103⅝	+0⅛	+0⅛	6.96
Beecham Fin 8⅛ 92	125	102⅛	102⅝	-0⅛	-0¼	7.75
Caisse Nat Energie 8 93	100	100¼	100¾	-0⅛	-0¼	7.92
Caisse Nat Tele 7¾ 93	200	98⅛	98⅝	+0⅛	0	7.98
E.C.S.C. 7½ 93	150	98⅞	99⅜	-0⅛	+0⅛	7.62
E.E.C. 7¾ 95	200	99⅞	100⅜	+0¼	+0⅜	7.73
E.E.C. 8 94	200	101	101½	0	0	7.82
GKN 8⅜ 89	100	99½	100	0	+0⅛	8.41
Gould Int Fin 8⅛ 89	75	102½	103	-0⅛	0	7.70
H.J. Heinz Int 6¾ 88	50	99⅛	99⅝	-0¼	+0¼	6.90
Int-Am Dev Bk 8¼ 93	150	101⅛	101⅝	+0⅜	+0½	8.03
Ireland 8⅞ 91	150	102⅝	103⅛	+0⅛	+2	8.35
ITT Antilles 7 93	200	98⅛	98⅝	+0⅛	+0½	7.23
McDonalds Fin 7⅛ 92	100	100¾	101¼	+0⅛	+0⅜	6.97
Mitsui O.S.K. 7¼ 88	100	98¼	98¾	+0⅛	-0¼	7.62
Mitsubishi Heavy 7⅝ 87	150	101	101½	0	-0¼	7.29
Quebec Hydro 8 93	200	101¾	102¼	+0¼	+0⅜	7.70
Sweden Kingdom 8¼ 89	150	102⅜	102⅞	-0¼	0	7.73
World Bank 7¼ 93	200	98⅛	98⅝	-0⅛	+0⅛	7.48
World Bank 8¼ 92	200	103⅛	103⅝	-0⅛	-0⅛	7.73

Av. price changes: on day 0, on week -⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Express 4¾ 93	100	98	98¼	-0¼	-0½	4.99
Asian-D.B. 5⅛ 95	100	98	98¼	-0¼	-1	6.10
Bowater Int Fin 6 92	100	101½	101¾	-0½	-1½	5.77
BTR Finance 5⅝ 93	75	96½	96¾	+1	+1	6.09
Chugoku Ele Pow 6⅛ 91	100	100½	100¾	+0½	-2⅜	6.02
Chujitsuya Co 5⅞ 93	50	96¼	96½	0	0	6.38
Ex-Im Bk Japan 5 93	100	97	97¼	0	-1¼	5.38
First Interstate 6 92	100	102½	102¾	-0¾	-1½	6.64
Gaz de France 6 93	100	102⅛	102⅜	-0⅛	-0⅜	5.69
Gothenburg Airport 6 93	50	99	99¼	0	-0⅛	6.12
HCA Finance 5 93	100	97¼	97½	-0¾	-1⅛	6.35
Kyushu Elec Power 6 92	100	99⅝	99⅞	-0⅛	-1½	6.03
Manitoba Prov 5¼ 93	100	100¾	101¼	-0¼	-1	5.12
New Zealand 5¼ 92	100	100½	100¾	0	-0½	5.16
Nippon Express Co 6 93	50	101	101¼	-0¼	-0¾	5.84
Nippon Koken 5⅝ 93	100	96	96¼	-1⅛	-1⅛	6.16
Nisshin Steel Co 6⅜ 92	100	100¼	100½	-0¾	-0¾	6.32
Norsk Hydro 5½ 98	100	97	97¼	0	0	5.79
O.K.B. 6¾ 93	60	101¼	101½	0	+0¼	6.55
Quebec 6¾ 92	100	101½	101¾	-0⅛	-1⅜	5.53
Shikoku Elec Pow 5⅝ 93	100	95¾	96¼	-0⅜	-0⅞	6.17
Tokyo Elec Power 5⅞ 92	100	100⅜	100⅝	-1⅛	-1⅝	5.80
Transcanada Pipe 5¾ 93	80	97½	97¾	-0⅛	-0¼	6.07
Union Bk Norway 5⅝ 93	60	96½	96¾	-1½	-2⅛	5.83
Volvo 5⅝ 91	80	100½	100¾	+0¼	-0⅜	5.27
World Bank 5½ 93	100	100½	100¾	+0¼	-0¼	5.41

Av. price changes: on day -⅛, on week -⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	105½	106½	0	-0¼	7.70
E.I.B. 8¼ 92	15	102⅝	103⅝	+0⅛	+0¼	7.79
Japan Airlines 7⅞ 87	8†	100½	101½	0	-0¼	7.57
New Zealand 8⅜ 87	15	102⅝	103⅝	0	-0⅝	7.35
World Bank 8⅝ 92	20	103	104	0	+0⅛	7.82

Av. price changes: on day 0, on week ⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit Col Tel 17¼ 88 C$	50†	112¾	113¼	+0¼	+0⅜	13.80
Can Utilities 17 87 C$	35†	113⅝	114⅛	0	-0¼	12.67
Farm Credit 12⅛ 93 C$	50†	99⅝	99⅞	0¼	0½	12.16
Gaz de France 16 88 C$	75†	106½	106¾	0	+0¼	13.38
Gaz Metro 14½ 92 C$	40†	103¼	104¼	0	-0⅝	13.74
Quebec Hydro 14 92 C$	60†	105¼	105¾	0	0⅛	12.76
Swed Exp CR 12¼ 88 C$	50†	99½	100	0	-0⅜	12.31
E.E.C. 11⅝ 93 ECU	50	98⅞	99⅜	0	0	11.81
Elf Norge 11¾ 88 ECU	30	97⅛	98⅛	0	0	12.42
Amfas 9½ 87 Fl	60	104¼	104¾	0	-0½	8.20
Austria 7½ 88 Fl	100	99¼	99¾	0	0	7.62
Nederland Gas 7½ 88 Fl	100	99¼	99¾	0	-0⅛	7.58
Neder Middbk 9¼ 87 Fl	100	103¾	104¼	-0⅛	1¼	8.18
Quebec Prov 7½ 88 Fl	100	98¾	99¼	+0⅛	-0⅝	7.75
World Bank 7 88 Fl	150	98⅜	98⅞	+0⅛	0¼	7.34
O.K.B. 14 86 FF	400	97½	98½	+0⅛	0	14.86
Solvay & Cie 14¾ 86 FF	200	96¾	97¾	+0⅛	-0	15.87
B.F.C.E. 14½ 87 £	30	107¼	108¼	+0⅛	0	12.02
C.E.C.A. 13½ 88 £	20	104⅝	105⅝	+0⅛	+0⅜	12.14
C.N.T. 12½ 89 £	20	100⅜	101⅜	+0⅜	+1⅛	12.26
E.E.C. 11⅞ 91 £	50	98¼	99	+0¼	+0½	12.14
Fin For Ind 12¼ 88 £	30	102	103	+0¼	+0⅜	11.58
Fin Mat Orang 12⅝ 92 £	30	24	25	+0½	+1⅜	12.71
Gen Elec Co 12½ 89 £	50	104⅜	105⅜	-0¼	+0½	11.31
Hiram Walker 14¼ 86 £	25	105⅝	106⅝	+0⅛	-0¾	11.65
Mort Bk Fin 11¾ 89 £	15	24	25	+0½	-0⅝	13.12
Norsk Hydro 12 90 £	30	27⅛	27⅞	+0⅛	0¼	12.78
Norsk Hydro 14½ 87 £	30	107¼	108¼	+0⅛	+0¼	12.83
Quebec 14½ 89 £	30	106¼	107¼	+0¼	+0¼	12.84
S.D.R. France 15½ 92 £	30	106⅛	107⅛	+0¼	+0⅜	14.12
S.N.C.F. 11½ 89 £	30	95⅝	96⅝	+0⅜	+0⅜	12.41
Tenneco Int 14¾ 87 £	30	106½	107½	+0¼	0⅜	12.52
World Bank 11⅜ 91 £	75	26¾	27½	+0¼	-0⅛	12.83
Euratom 11 93 LuxFr	500	101⅜	102⅜	0	+0⅜	10.68
Europarat 12½ 92 LuxFr	500	103½	104½	0	0⅛	11.74

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
Bank of Tokyo 5¼ 91 (D)	0⅛	100	100½	10/6	9¾	9.73
B.F.C.E. 5¼ 88	0¼	98¾	99¼	20/7	9¼	9.34
B.F.C.E. 5¼ 87	0¼	99½	100	27/7	9.94	9.96
Caisse Nat Tele 5¼ 90	0⅛	99	99½	21/4	10.56	10.64
Cepme 5¼ 92	0¼	99½	100	10/6	9.94	9.95
Chemical NY 5¼ 94 ††	0⅛	100⅛	100⅝	23/3	9.94	9.99
Credit Agricole 5¼ 97	0¼	99⅛	99⅝	24/3	12⅞	12.96
Credit du Nord 5¼ 92	0¼	99⅛	99⅝	23/6	10⅛	10.19
Credit Lyonnais 5¼ 97	0¼	99	99½	1/4	12.18	12.28
Credit Lyonnais 5¼ 94	0¼	99	99½	5/7	9¾	9.82
Credit Nat 5¼ 94	0¼	98⅝	99⅛	9/8	9¼	9.34
E.D.F. 5¼ 95 XW	0¼	99	99½	10/8	10	10.05
Kansallis Osake 5½ 92	0⅜	99¾	100¼	6/5	10.06	10.06
Lloyds Eurofin 5¼ 93 §	0¼	100⅛	100⅝	29/4	10.56	10.52
Long Term Cred 5¼ 92	0¼	100	100½	27/5	10⅛	10.11
J.P. Morgan 5¼ 97 §	0¼	100⅛	100⅝	12/5	9½	9.45
Nat West Fin 5¼ 91 §	0⅛	100⅛	100⅝	16/7	9¼	9.22
New Zealand 5⅛ 87	0⅛	100⅛	100⅝	7/4	12½	12.45
NZ Steel Dev 5¼ 92	0¼	100	100½	22/6	10.19	10.16
Nippon Credit 5¼ 90	0⅛	100⅛	100⅝	10/8	9⅞	9.84
Offshore Mining 5¼ 91	0¼	100	100½	2/6	10.44	10.41
Scotland Int 5¼ 92	0⅛	99⅝	100⅛	23/3	13⅛	13.27
Sec Pacific 5¼ 91	0⅛	100⅛	100⅝	24/5	10.06	10.02
Société Générale 5¼ 95	0¼	99⅛	99⅝	1/8	9½	9.56
Standard Chart 5¼ 91	0⅛	100	100½	18/5	10.69	10.66
Sweden 5¼ 93	0⅛	99¼	99¾	3/8	10.19	10.24
Sweden 5¼ 89	0¼	99⅛	99⅝	26/8	9⅞	9.88

Av. price changes: on day 0, on week 0

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	92⅞	94⅜	+1⅜	5.76
Bridgestone Tire 5½ 96	3/82	470	101⅞	102⅞	0⅛	1.91
Canon 7 97	7/82	748.2	177¼	179	+0⅜	1.16
Fujitsu Fanuc 4½ 96	10/81	6614	100	102	+1¼	18.85
Hitachi Cable 5⅛ 96	2/82	515	94½	96	+0⅞	7.72
Hitachi Credit Corp 5 96	7/81	1612	89⅞	91⅜	+1⅜	18.13
Honda Motor 5½ 97	3/82	759.6	115⅛	116⅝	+1¾	6.04
Kawasaki 5⅜ 96	9/81	229	75¼	76⅝	+0¼	15.56
Kumagai Gumi 6½ 97	10/82	408	109½	111	+0¾	3.75
Kyowa Hakko 6¼ 97	2/83	762	104	105¼	+0⅛	13.71
Marui 6 96	7/81	769.5	118½	120	+1¾	8.42
Minolta Camera 5 96	10/81	825.4	72	73½	0	26.83
Murata 5¼ 96	7/81	1971	95	96½	0	5.81
NKK 6½ 96	7/81	189	85	86½	+1¾	23.26
Nippon Electric 5¼ 97	2/82	765.8	127¾	129¼	+0⅝	5.21
Olympus Optical 6⅜ 97	12/82	1331	101½	103	0⅜	5.06
Orient Finance 5¼ 97	3/82	1205	106¾	108¼	+4⅞	7.81
Sanyo Electric 5 96	10/81	652	85	86½	0	20.84
Sumitomo Electric 5½ 97	3/82	677.3	97⅞	99⅜	0⅛	14.35
Sumitomo Metal 5¼ 96	10/81	296.1	70½	72	+0½	33.45
Fujitsu 3½ 93 SF	3/83	968	106¼	106¼	0¼	5.38
Sharp Corp 3½ 93 SF	3/83	1180	107¼	108¼	0	8.85
Konishiroku 6¾ 88 DM	6/82	616	111	112	0	7.87
Mitsubishi Heavy 6 89 DM	2/82	263	104⅝	105⅝	+0¾	22.73
Sun Realty 6¼ 92 DM	2/83	365	108⅝	109⅝	0	3.89

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Wednesday March 16 1983

Further warning on EEC farm budget, Page 41

WALL STREET

Domestic matters dominate

OPEC'S agreement on oil prices and production quotas, drew little response from Wall Street, which continued to concentrate on domestic factors, *writes Terry Byland in New York.*

The implications of the cut in oil prices, both for inflation and industrial expansion in the U.S., had been discounted in stock markets over the past month. Moreover, the delay in reaching agreement at Opec's London meeting coincided with a pause on U.S. stock markets for a cooler reappraisal of the business outlook.

The latest set of economic statistics from the Federal Reserve indicated that industrial production had risen by 0.3 per cent last month. The share market was unimpressed, but the announcement was mildly discouraging for credit markets.

Share markets repeated the trend of the previous day by idling their way through the session, but turning smartly higher in the last hour of trading. Dealers saw no specific factor behind the upturn but regarded it as an indication of the underlying firmness of the market. The Dow Jones Industrial average, barely changed at mid-session, was finally 10.07 points higher at 1124.52.

The last hour of business also saw share gains finally outnumbering share falls by 815 to 732. But trading over the full session was fairly light with only 82.7m shares changing hands, about one half of the totals recorded a fortnight ago.

The late spurt of buying ranged throughout the leading industrial share sectors. IBM at $100⅞, General Electric at $103¾ and NCR at $106¾ were all attracting investors.

Some of the banks whose loans to oil producers have caused disquiet moved higher on hopes that Opec's agreement will mean steadier prices. Chase Manhattan at $52 and Continental Illinois at $23⅞ advanced. Oil shares, however, were little affected by the Opec developments.

In the credit markets, yields began to edge higher, partly in response to the outcome of Monday's auction of Treasury Bills, but chiefly because the sector was cautious while awaiting disclosure of terms for next week's auctions of around $14bn in Treasury notes and bonds.

Monday's bill auction brought an average rate of 8.256 per cent on three-month bills and market quotations were adjusted accordingly in yesterday's market. Three-month bills were quoted at a discount rate of 8.25 per cent.

At yesterday's discount rates, three-month bills were yielding 8.51 per cent and the six months 8.71 per cent.

The Treasury benchmark long bond, the 10⅜ per cent of 2012, opened a shade lower but rallied after the Fed repurchase to stand at 97⅝, unchanged from overnight.

In the municipal debt sector, bond prices held firm as investors digested the terms for the $798m bonds for Intermountain Power Agency – one of the largest tax exempt securities ever offered.

In Toronto, stock prices were slightly lower, led down by gold issues which weakened as a result of a lower bullion price. Nine of the 14 major indices moved lower, paced by losses in the golds, metals and real estate. Montreal stocks were also easier.

LONDON

New record despite an anti-climax

BUDGET proposals, broadly in line with expectations, proved something of an anti-climax to the London stock markets. Earlier, there had been a mood of optimism about the immediate outlook for UK interest rates, following clearing bank base rate cuts to 10½ per cent and the authorities' subsequent move in restoring a tiered intervention rate structure in UK money markets, consistent with the base rate reductions.

Government stocks surged higher, with longer maturities leaping two points above Monday's official closing levels. The pound's stability, in the face of cheaper UK money, supported the strong tone before gains were eventually pared by a mixture of profit-taking and nervous selling, ahead of the Chancellor's measures.

Short and longer-dated gilts were finally around a point up on the day and the FT Government securities index rose 0.54 more to its highest level for four months, at 81.88.

First impressions of the budget were that Gilt-edged quotations would start on a firm note this morning.

Equity markets were less spectacular, but forged progressively higher and extended their overall upsurge to record levels after the budget proposals. The FT Industrial Ordinary share index, 7.2 up ahead of the Chancellor's speech, closed 7.8 up at a best-ever 673.6.

Secondary stocks continued in favour. Recently-strong building and contracting shares turned easier, however, following some disappointment with the proposed rise of only £5,000 in the mortgage tax relief ceiling.

The Chancellor's announcement of a package worth around £800m over the next four years to help the offshore oil industry in exploring new fields gave a late boost to selected oil shares. BP was outstanding with a rise of 8p to 334p.

In banks, NatWest's preliminary earnings, showing an 11 per cent contraction, caused disappointment and the shares reacted to 592p before rallying to close only a net 2p lower at 600p.

Other major clearers, a shade easier initially in sympathy with NatWest and the ½ point reductions in base lending rates, also picked up late; with sentiment helped by the Chancellor's decision not to impose a special profits tax on the sector.

Share Information Service Pages 42–43.

AUSTRALIA

Investors wait

SHARE prices were little changed in slow trading in **Sydney** with investors still waiting for firm indications of the new Labor Government's economic policies. Resource stocks and top metal miners were slightly ahead on modest volume.

At the close, the All Ordinaries index was unchanged at 513.4 on unofficial market volume of less than 10m shares. An upturn in bullion prices, which followed Opec's accord, had little effect in the stock market though Acorn did manage a 35 cents rise to A$2.75.

In **Melbourne**, oil and gas stocks were only slightly weaker after the Opec agreement. Nearly half the oil stocks traded were steady and only 11 of the 50 stocks fell during trading.

SOUTH AFRICA

Golds fall back

PROFIT-TAKING and overseas selling left gold shares easier in **Johannesburg**, after a slightly firmer start. Driefontein ended unchanged at R35 after a R35.50 opening, and cheaper price producers saw falls ranging to about 75 cents.

In diamonds, De Beers was basically steady after annual results for 1982 showed pre-tax profits down to R566.1m from the previous year's R753.8m. Its shares closed 3 cents easier at R8.20 after touching R8.40 in early trading.

FAR EAST

Attention shifts from blue chips

THE STOCK market in **Tokyo** continued its advance into a second day with investors relieved at the Opec agreement on price and production quotas. The Nikkei Dow Jones index ended at its highest level for a month at 8,111.83, a gain of 22.8 on the day.

Instead of concentrating on blue chip issues, as in previous sessions, attention was centered around small capital concerns. As a result, the recent large advances of electricals were halted and these issues closed mixed.

Brokers also reported that Nomura Securities, which has pulled together a total of Y60bn into a new mutual fund, began purchasing some overlooked issues. They said Nomura spent about Y1.5bn of the fund on such issues as Nippon Steel, which ended unchanged at Y164. Asahi Chemical and Kajima Construction each Y5 ahead at Y280 and Y330 respectively, and Yamanouchi, which advanced Y30 to Y1,340.

Automotive issues were also actively traded with Honda ending Y15 up at Y840 and Nissan Motor Y14 ahead at Y750. Investors believe the automotive industry will be one of the first to pick up when the U.S. economy recovers. Pharmaceuticals also firmed with investors taking advantage of their low prices.

Because of the strengthening yen, Japanese Government bond prices firmed.

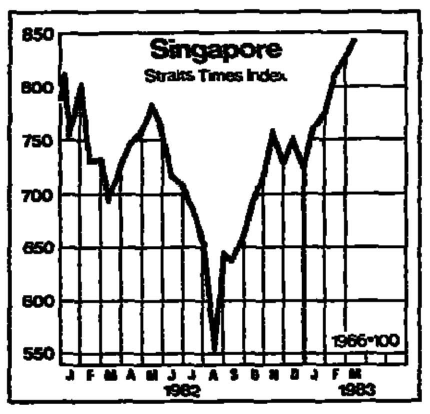
Hong Kong took the opposite course with prices easing on sporadic late selling. The Hang Seng Index closed 7.86 points lower at 1,024.51. Far East Consortium ended 3 cents higher at 81 cents after it confirmed crossholding moves and property deals with Nikkatsu Corporation of Japan. Meanwhile, Far East Holdings closed up 10 cents at HK$ 8.05.

Leaders closed mixed, with Cheung Kong rising 10 cents to HK$ 10.30 and Hongkong Wharf 2.5 cents to HK$ 3.725. But Hongkong Electric eased 15 cents to HK$ 5.85, Jardine Matheson 30 cents to HK$ 14.40, and Hongkong Land 5 cents to HK$ 4.45.

Prices rebounded in **Singapore** in active trading with strong, speculative buying of a few shares leading the market higher. The Straits Times industrial index rose 9.71 to close at 843.11, its highest level this year. Volume was 20.8m shares and advances of 115 issues were well ahead of the 27 to decline.

Two of the most active issues were Mui and Cycle and Carriage. Both rose strongly on market reports that Mui would move to take over C and C, though neither company has issued any statement. Mui rose 20 cents to S$ 3.80 with C and C up 16 cents to S$ 4.88.

Elsewhere, industrial issues were mixed and banks were little changed.



EUROPE

Foreign sellers push prices down

FOREIGN profit-taking, resulting from the continued strength of the D-Mark, left share prices mostly easier in **Frankfurt**. Much of the selling was by British investors, taking advantage of the weakness of sterling. At the close, the Commerzbank index was down 3.5 at 844.5.

Motor manufacturers saw some of the largest falls, with Daimler DM 6 down at DM 439.50, BMW losing DM 5.50 to DM 279.50 and VW shedding DM 3.80 to DM 164.40. In pharmaceuticals, Schering lost DM 6.50 to DM 325.50.

Banks, however, performed better, with Deutsche and Bayerhypo closing DM 2 higher at DM 293.50 and DM 284 respectively, while Commerzbank and Bayerische Vereinsbank each added DM 1 to DM 150.80 and DM 320.50. Dresdner was unchanged at DM 163.

Prices of domestic bonds slipped from a firmer opening to close mixed on uncertainty over the outcome of Thursday's Bundesbank Council meeting. The Bundesbank sold DM 15.8m of paper to balance the market after selling only DM 8.6m worth on Monday.

A much brighter picture emerged in **Paris** where prices were firm in active trading. Oils led the market higher. BP which was temporarily suspended, due to an order imbalance, later traded FFr 7.4 higher at FFr 73.8 while Elf was FFr 1.8 ahead at FFr 123.5.

Elsewhere in Europe, the trend was mixed to lower. In **Amsterdam**, profit-taking left stocks easier and the ANP-CBS fell 1.4 to 116.5. KLM declined Fl 3.20 to Fl 161.80 while Akzo and Royal Dutch were both Fl 1.10 lower at Fl 50.50 and Fl 99.70 respectively.

The construction firm, Boskalis, lost Fl 5 to Fl 45.20 following reports that it was having further talks with Argentina on the financing of a Boskalis pipeline project there. State loans were barely changed.

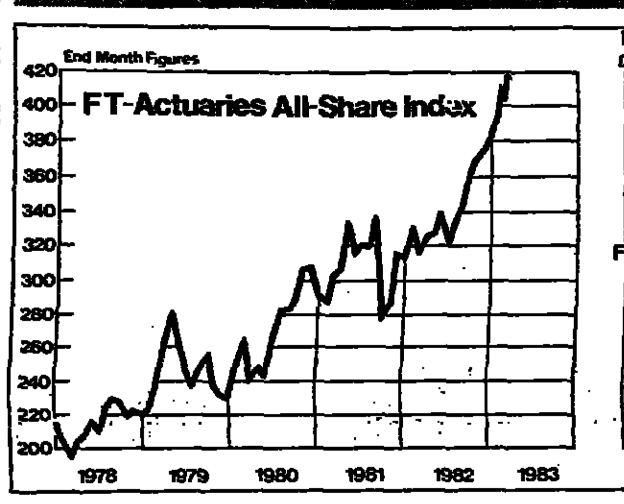
In **Brussels**, share prices were mixed and foreign share prices lower in moderate trading. Holding company stocks posted gains with Bruxelles Lambert BFr 10 ahead at BFr 1,770, Société Générale up BFr 25 at BFr 1,530 and Sofina BFr 20 stronger at BFr 4,290.

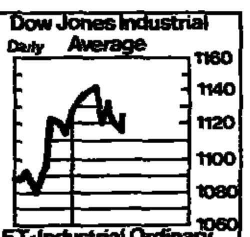
Domestic share prices were mixed to lower in a cautious session in **Zurich** after four major Swiss banks raised their interest rates on customer deposits. The swiss bond market declined further in small volume with most investors staying on the sidelines. Trading had been subdued by expectations of the rise in the banks' customer time deposit rates.

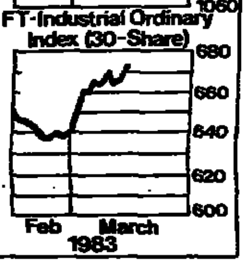
Trading in **Milan** was dominated by end-account liquidation and prices closed mainly easier. Montedison led the market lower, while Olivetti and Fiat also eased.

In **Madrid**, prices also declined in dull trading and the bourse index closed 0.84 lower at 107.90. Electricals showed notable losses.

KEY MARKET MONITORS







STOCK MARKET INDICES

	March 15	Previous	Year ago
NEW YORK			
DJ Industrials	1124.52	1114.45	800.99
DJ Transport	503.02	500.16	323.17
DJ Utilities	127.26	126.98	105.89
S&P Composite	151.37	150.83	109.45
LONDON	March 15	Prev	Year ago
FT Ind Ord	673.6	665.8	562.4
FT-A All-share	421.13	417.41	320.87
FT-A 500	455.62	451.00	342.55
FT-A Ind	428.14	424.11	316.12
FT Gold mines	587.0	591.3	221.5
FT Govt secs	81.88	81.34	68.33
TOKYO			
Nikkei-Dow	8111.03	8089.03	7078.68
Tokyo SE	596.91	596.08	532.75
AUSTRALIA			
All Ord.	513.4	513.4	458.7
Metals & Mins.	477.4	475.4	325.7
AUSTRIA			
Credit Aktien	*52.50*	*52.60*	*54.18*
BELGIUM			
Belgian SE	*110.84*	*110.71*	*92.16*
CANADA			
Toronto Composite	2148.44	2154.19	1537.6
Montreal			
Industrials	365.45	366.92	270.58
Combined	357.11	358.32	259.08
DENMARK			
Copenhagen SE	121.03	120.28	94.68
FRANCE			
CAC Gen	109.9	110.1	101.9
Ind Tendance	114.6	113.9	112.5
WEST GERMANY			
FAZ-Aktien	281.12	282.08	232.22
Commerzbank	844.5	848.0	707.5
HONG KONG			
Hang Seng	1024.51	1032.37	1161.93
ITALY			
Banca Comm.	202.14	204.03	203.15
NETHERLANDS			
ANP-CBS Gen	116.5	117.9	84.2
ANP-CBS Ind	99.8	101.4	68.2
NORWAY			
Oslo SE	146.02	146.28	100.95
SINGAPORE			
Straits Times	843 11	833.4	694.01
SOUTH AFRICA			
Golds	*789.9*	*802.3*	*412 9*
Industrial	*837.1*	*835.5*	*586.5*
SPAIN			
Madrid SE	107.9	108.74	126.62
SWEDEN			
J & P	1290.75	1271.34	607.3
SWITZERLAND			
Swiss Bank Ind	307.3	303.9	243 1

GOLD (per ounce)

	March 15	Prev
London	$432 50	$427.50
Frankfurt	$435.25	$428 75
Zürich	$433.00	$428.50
Paris	*$446.11*	$438 77
New York futures (March)	$426.20	$436.70

* Indicates latest pre-close figure

CURRENCIES

	U.S. DOLLAR March 15	U.S. DOLLAR Previous	STERLING March 15	STERLING Previous
£	*1.5145*	*1.5100*	–	–
DM	2.3870	2.3815	3.61¾	3.59¾
Yen	237.2½	237.50	359½	358½
FFr	6.75	6.71½	10.22	10.13½
SwFr	2.0510	2.0625	3.10¾	3.11½
Guilder	2.6525	2.6410	4.02	3.99
Lira	1414½	1410½	2141	2126
BFr	46.15	46.07½	69.85	69.5½
C$	1.2245	1.2265	1.8530	1.8520

INTEREST RATES

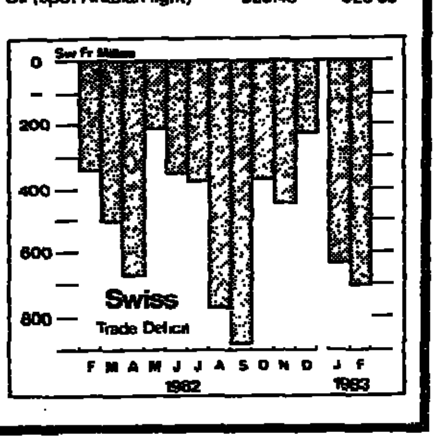
	March 15	Prev
Euro-currencies (three month offered rate)		
£	10⅝	11⅛
SwFr	3¹³⁄₁₆	3¾
DM	5⁵⁄₁₆	5⁵⁄₁₆
FFr	45	50
FT London Interbank fixing *(offered rate)*		
3-month U.S.$	9⁵⁄₁₆	9⁷⁄₁₆
6-month U.S.$	9½	9⁹⁄₁₆
U.S. Fed Funds	*8⅝*	*8⅝*
U.S. 3-month CDs	8.80	8.90
U.S. 3-month T-bills	8.25	8.19

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% $100,000 32nds of 100%				
June	76–01	76–04	75–15	75–18
U.S. Treasury Bills (IMM) $1m points of 100%				
June	91.76	91.78	91.70	91.78
Cert Deposit (IMM) $1m points of 100%				
June	90.97	91.02	90.93	91.04
LONDON				
Three-month Eurodollar $1m points of 100%				
June	90.66	90.77	90.65	90.66
20-year Notional Gilt *£50,000 32nds of 100%*				
June	105–11	106–10	105–08	104–15
Three-month Sterling Deposit £250,000 points of 100%				
June	90.33	90.45	90.30	90.06

LONDON COMMODITY MARKETS

	March 15	Prev
Silver (spot fixing)	743.3p	726.15p
Copper (cash)	£1064.00	£1050.00
Coffee (March)	*£1720.00*	*£1717.50*
Oil (spot Arabian light)	$28.45	$28 60



NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅞	5¼	AAR	.44	3.8	28	169	u11⅝	11	11⅝	+½
38	27½	ACF	2.76	8.8	8	311	31¼	30¾	31¼	-⅛
20	12¼	AMF	1.36	7.9	32	343	17¼	17	17⅛	-¼
25¼	12¼	AMR Cp				6314	25¼	24	25½	+1½
12⅞	4	AMR	wt			1684	u12½	11⅞	12½	+1⅛
18¾	12⅞	AMR	pf2.18	13		33	17¼	17⅛	17⅛	-⅛
29⅞	24⅝	AMR	pf2.13	7.2		749	u30	28	29½	+1⅛
6⅞	2½	APL			32	96	6⅞	6⅞	6⅞	-⅛
42	23⅝	ARA	2.50	12		53	40⅞	40¼	40⅝	
79⅞	24½	ASA	3e	4.8		734	63⅞	61⅞	62	-1⅞
27⅞	13⅞	AVX	.32	1.4	30	245	22¼	22¼	22¼	+⅛
44⅞	27	AbtLab	1	2.4	18	2539	43	42⅝	42⅝	-⅝
22½	15⅞	AcmeC	1.40	8.1	20	80	17¼	17⅛	17⅛	
12⅞	5¾	AcmeE	.32b	2.7	31	68	11⅞	11⅝	11¾	-⅛
13	4⅛	AdmDg	.04	.3	14	167	12⅝	12⅛	12⅝	+¼
17⅞	12½	AdaEx	1.73e	11.		285	16⅛	15⅞	16	+⅛
9¼	4⅝	AdmMl	.20e	2.5	11	53	8⅛	8	8⅛	+⅛
22⅞	12⅞	Advest	s.16	.8	13	79	20⅞	20¼	20⅜	-½
39¼	12½	AMD	s		53	1418	35⅞	34⅞	35¼	+1¼
48¼	32⅞	AetnLf	2.64	6.9	8	865	38⅝	38	38½	+½
65	52¼	AetL	pf3.70e	6.6		66	57	56	56	-½
37⅝	8	Ahmns	.60	1.7		128	35	34⅞	35	+1½
4	2⅞	Aileen				91	3⅞	3⅞	3⅞	
48⅛	23⅞	AirPrd	.80	1.8	13	308	44¼	43⅞	44⅛	
24¼	8½	AirbFrt	.60	2.6	30	76	23⅞	23	23⅞	+⅛
2⅞	2	AlMoa	n		4	116	2⅞	2½	2½	
31¼	24½	AlaP	plA3.92	13		32	31	30½	30½	-½
7¼	5⅞	AlaP	dpf.87	12		41	7¼	7	7	
71	54½	AlaP	pf 9	13		z10	69½	69½	69½	-1
74½	56½	AlaP	pf9.44	13		z100	72½	72½	72½	-1¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

A FINANCIAL TIMES SURVEY
SAUDI ARABIA
APRIL 25 1983

The Financial Times is proposing to publish a survey on Saudi Arabia in its issue of April 25 1983. The provisional editorial synopsis is set below.

INTRODUCTION: The Kingdom's role during the past twelve months as the most prominent power in the Arab World; its participation in the Arab peace plan at Fez and its leadership of the increasingly important Gulf Co-operation Council: Saudi policies in OPEC as pressures increase for a reduction in the price of oil. Relations with the United States: attitudes within the Kingdom towards the close links between Riyadh and Washington. The first nine months of King Fahd's rule: internal strengths and weaknesses of the regime; pressures for and against reform. Prospects for the institution of a consultative assembly, a formal ordinance of Government and new regulations for the administration of the provinces.

Editorial coverage will also include:

Profiles of Members of the Royal Family — Economy — Oil — Gas — Heavy Industry — Industrial Estates — Industrial Service Companies — Banking — Capital Market — State Foreign Investment — Exchange Dealers — Contracting — Saudi Contractors — Manpower — Shipping — Trading Companies — Provincial Development — Hospitals — Health and Education Offices — Anglo-Saudi Relations — Armed Forces and Defence Contracts — National Guard — Shias — Ulema — Yemenis in Saudi Arabia — Businessman's Guide.

Copy date: March 28 1983

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The size, contents and publication dates of all surveys in the Financial Times are subject to change at the discretion of the Editor

Continued on Page 39

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12½	5⅞	AAV	.32	2.6	8	1	12⅛	12⅛	12⅛	-⅛
3⅜	1	ATI			14	222	3¼	3	3⅛	-⅛
6⅝	1½	AcmePr			19	22	6⅝	6⅜	6⅝	+⅛
22¼	2¼	Action			6	225	22¼	21⅞	22¼	+1
8⅝	5⅛	Acton s	.10r	1.3		47	7⅞	7⅝	7⅝	-¼
6¼	1¼	AdmRs	.10	4.4		48	2⅜	2⅛	2¼	-⅛
27⅞	12	AdRusl	a.10	.4	25	28	25⅝	25⅛	25⅜	+⅛
21½	11⅛	Adobe	.20	1.1	12	232	18½	17⅜	17¾	+1⅜
3⅜	2	AeqpCp			9	326	3⅛	3	3⅛	
21½	7⅜	Aeroflx	1.55t	7.7	18	73	20⅛	20	20¼	-⅛
6⅛	2¼	Aeronca			10	108	5⅝	5⅜	5⅛	
21⅜	9¼	AflHsp	.32	1.7	9	5	19⅛	19	19	-⅛
10	3⅛	AffiSix			8	52	9⅝	9½	9½	-⅜
15½	4⅞	AirExp				45	13⅞	13¼	13⅞	
15½	3⅝	AlbaW	.10e	.72	687	14⅝	13⅝	14⅝	+ ½	
20	6	AllenT	.75t	3.8		18	20	19¾	20	
10⅛	5¼	AlohaA				51	9½	9¼	9⅞	-⅛
24⅜	10¼	Alphal	s		29	72	22½	22¼	22¼	-⅝
15⅝	7⅝	Altamil	.40	2.8	12	5	14½	14¼	14¼	-½
1¼	½	Altec				40	1	1	1	-⅛
6	4⅝	Altec	pf			1	5⅛	5⅛	5⅛	-¼
2⅝	1⅛	Altex				346	1½	1⅜	1½	
7-16	1-16	Alth	83wt			2	¼	¼	¼	+⅛
37	25	Alcoa	pf3.75	10		2750	36¼	36⅛	36⅛	+¼
44½	17⅛	Amdhl	.40	1.1	155	231	37¼	35⅝	37⅛	
29⅝	6¼	Amedc	s.12	.4	28	77	27	25¾	27	+1½
5	3½	ABill	n			5	4¼	4¼	4¼	-⅛
3⅝	⅞	AmCap				40	3⅛	2⅞	3	-⅛
28	8¼	AExp	wt			247	26⅛	25½	26	+¼
15½	5¼	Alsrael			4	12	10⅝	10½	10⅝	-⅛
15	8	AMzeA	.52	3.9	11	8	13⅜	13½	13½	-¼
14⅞	9	AMzeB	.52	3.9	11	6	13½	13½	13½	

Continued on Page 40

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 38

W—W—W

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅞	15¾	WICOR	2.14	11	10	39	19⅝	19¼	19½	-⅛
37⅞	22	Wachov	1.40	3.8	11	68	36⅜	36¼	36⅜	-⅜
28½	12⅞	Wackht	.44b	1.9	15	85	24⅛	22⅝	23	-1⅛
15⅝	4¼	Wainoc				60	5½	5⅜	5½	-⅛
54¼	19⅝	WalMrt	s.28	.5	29	512	53⅝	50⅝	53⅛	+2½
58½	24¼	WalMrt	pf			2	57	57	57	-1
31⅞	12⅞	Walgrn	s.60	1.9	16	359	31⅛	30⅝	31⅛	+⅛
19¼	11⅞	WkHRs	g1.32			45	18½	18¼	18⅜	
55¼	27½	WalCSv	.72	1.4	16	442	54½	52	52⅝	-2⅛
38⅝	16	WalJm	1	2.7	14	364	37⅛	36⅝	37	
41	18	WalU	pf1.60	4.0		1	39⅝	39¼	39⅝	-⅛
50⅛	24⅝	Warnac	1.40	2.9	9	67	48⅛	47⅞	47⅞	-⅜
58⅝	27	WmCm	1	3.4	7	1813	29⅛	29	29¼	+¼

Continued on Page 40

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

CANADA

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

ITALY

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

LONDON

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Barratt Dev	544	−4
Blue Circle	423	+13
Brit Aerospace	239	−9
Brit Car Auction	190	+7
Cambridge Elec	214	+20
Chubb	148	+8
De Beers Dfd	462	−8
London & Liverpool	410	−20
Lucas Inds	175	+7
Mills and Allen	415	−10
Polly Peck	£19½	−2½
Systems Designers	385	+25

ACTIVE STOCKS MONDAY'S

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Bio-Isolates	26	270	−18
Lon & Liv Tst	17	430	−35
Coloroll	17	300	+68
Brelrd (S & W.)	16	173	−13
ICI	15	408	+8
Mills & Allen	15	405	+35
Home Charm	14	334	+18
Arlen Elec	13	331	−10
BAT Inds	13	847	−8
Eastern Prdce	13	114	+18
Yelverton	13	66	+7
Glaxo	12	895	—
Shell Trans	12	448	+8
Bilton (Percy)	11	380	−10

NEW HIGHS AND LOWS FOR 1982/3

NEW HIGHS (152)

BRITISH FUNDS (1)
BREWERS (1)
BUILDINGS (24)
CHEMICALS (2)
DRAPERY & STORES (2)
ELECTRICALS (12)
ENGINEERING (6)
FOODS (6)
HOTELS (1)
INDUSTRIALS (30)
INSURANCE (3)
LEISURE (2)
MOTORS (4)
NEWSPAPERS (3)
PROPERTY (10)
SHIPPING (1)
TEXTILES (4)
TRUSTS (36)
OIL & GAS (2)
PLANTATIONS (1)
MINES (1)

NEW LOWS (3)

BANKS (1)
First Nat. Warrants
NEWSPAPERS (1)
Sharpe (W. N.)
OVERSEAS TRADERS (1)
Aust. Agric.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar 14	Mar 25	June 16	June 27
Mar 28	Apr 8	June 30	July 11
Apr 18	Apr 29	July 14	July 25

For rate indications see end of Share Information Service

Money was given for the call in ICL, Britannia Arrow, British oil, London and Liverpool, Samson, Barker and Dobson, M. J. Gleeson, Poly Peck, Rank Organisation, Trident TV A, Phicom, John Brown, Renold, Town and City Properties, Slough Estates, Costain, Acrow A, UKO, Comet, TI, Sturla, William Leech, LRC and European Ferries. A put was done in Carpets International, while doubles were taken out in BP and Bats.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues March 15 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon March 14 Index No.	Fri March 11 Index No.	Thur March 10 Index No.	Wed March 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	465.25	+1.1	8.53	3.68	14.67	460.01	459.77	462.60	456.48	371.07
2	Building Materials (23)	462.65	+1.7	9.09	4.15	13.29	455.06	451.51	454.58	449.34	335.58
3	Contracting, Construction (30)	831.09	+0.8	10.65	4.01	11.21	824.68	822.62	818.31	807.30	613.31
4	Electricals (32)	1691.40	+1.1	7.14	2.06	17.96	1672.47	1681.66	1705.98	1678.56	1268.76
5	Engineering, Contractors (10)	446.11	+1.3	15.71	6.70	7.79	440.34	440.22	439.60	433.21	505.52
6	Mechanical Engineering (66)	222.65	+1.2	10.19	5.11	12.26	219.97	218.97	218.26	214.13	192.46
8	Metals and Metal Forming (11)	176.82	+1.5	12.27	7.04	9.79	174.21	173.25	175.54	172.18	164.98
9	Motors (18)	99.31	+1.4	0.54	6.31	—	97.98	96.58	95.67	94.89	99.46
10	Other Industrial Materials (17)	431.17	+0.3	8.15	4.96	15.25	429.95	429.28	427.65	425.56	389.49
21	CONSUMER GROUP (200)	424.75	+1.0	9.89	4.21	12.28	420.53	421.87	425.57	421.41	295.38
22	Brewers and Distillers (23)	467.60	+1.4	10.82	4.58	11.28	461.32	460.96	465.39	463.19	293.93
25	Food Manufacturing (21)	348.91	+0.8	13.08	5.42	8.98	346.29	347.83	350.37	347.47	273.78
26	Food Retailing (14)	893.46	+0.3	7.12	2.71	17.64	891.17	882.21	880.62	871.09	612.47
27	Health and Household Products (8)	750.31	+0.8	5.33	2.43	22.24	744.28	748.83	759.85	749.66	387.80
29	Leisure (24)	522.97	+0.8	7.76	4.58	16.84	518.89	519.39	518.82	518.60	446.20
32	Newspapers, Publishing (13)	754.51	+1.5	8.19	4.26	16.27	743.45	736.45	734.83	732.38	516.80
33	Packaging and Paper (14)	164.36	−1.6	14.17	6.82	8.28	167.05	169.06	169.46	166.55	144.39
34	Stores (47)	366.71	+1.0	8.25	3.75	16.06	363.19	365.94	369.78	360.12	270.58
35	Textiles (22)	201.65	+0.1	12.66	5.53	9.46	201.40	201.71	203.00	200.07	172.63
36	Tobaccos (3)	467.96	+3.4	18.72	5.92	5.97	452.57	456.54	465.94	445.12	300.65
39	Other Consumer (11)	387.98	+0.1	5.11	3.64	—	387.55	387.67	384.88	385.99	287.15
41	OTHER GROUPS (79)	339.29	+0.3	9.11	4.87	13.51	338.39	335.75	338.23	333.03	255.65
42	Chemicals (15)	436.55	+0.2	9.12	5.54	13.68	435.80	429.43	436.82	432.77	338.08
44	Office Equipment (6)	106.69	−2.3	8.26	5.05	15.57	109.16	110.79	112.59	104.01	128.48
45	Shipping and Transport (14)	634.38	+1.2	13.46	6.75	8.91	626.60	621.94	622.16	606.89	564.93
46	Miscellaneous (44)	485.32	+0.4	8.20	3.83	14.86	483.17	480.83	480.53	474.99	321.04
49	INDUSTRIAL GROUP (486)	428.14	+0.9	9.31	4.12	13.18	424.11	424.29	427.55	422.54	316.12
51	Oils (14)	762.70	+1.8	16.59	7.66	7.12	749.29	739.42	751.87	725.05	479.39
59	500 SHARE INDEX	453.82	+1.1	10.36	4.62	11.75	451.00	450.31	454.36	447.40	342.55
61	FINANCIAL GROUP (121)	317.67	+0.5	—	5.60	—	316.22	314.75	316.52	311.86	258.53
62	Banks (6)	357.74	+0.5	26.21	6.70	4.16	355.96	353.67	356.79	344.07	275.73
63	Discount Houses (8)	312.34	+1.4	—	7.81	—	308.12	306.86	302.35	301.61	230.17
65	Insurance (Life) (9)	392.24	+0.5	—	4.90	—	390.47	389.36	392.40	387.64	260.03
66	Insurance (Composite) (10)	199.33	+0.4	—	7.24	—	198.49	196.75	197.50	196.59	167.67
67	Insurance Brokers (7)	585.18	+2.2	11.41	4.90	12.14	572.81	572.73	575.46	578.38	451.05
68	Merchant Banks (13)	161.12	—	—	5.36	—	161.15	162.11	161.79	161.30	145.02
69	Property (54)	474.48	+0.3	5.44	3.78	24.27	472.88	471.85	474.97	473.40	458.06
70	Other Financial (14)	252.08	−0.1	11.06	4.74	10.72	252.35	250.47	250.64	243.30	180.19
71	Investment Trusts (109)	415.50	+0.2	—	4.30	—	414.39	413.35	412.52	408.68	296.49
81	Mining Finance (4)	255.36	+0.4	7.18	5.57	19.45	254.33	252.82	257.85	253.49	198.93
91	Overseas Traders (16)	442.20	+0.2	9.22	8.22	15.45	441.47	438.75	440.67	438.30	377.33
99	ALL-SHARE INDEX (750)	421.13	+0.9	—	4.81	—	417.41	416.47	419.75	413.62	320.87

FIXED INTEREST

	PRICE INDICES	Tues March 15	Day's change %	Mon March 14	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	117.95	+0.43	117.44	—	1.97
2	5-15 years	130.40	+0.61	129.61	—	2.50
3	Over 15 years	139.37	+0.80	138.26	—	2.31
4	Irredeemables	149.09	+1.31	147.17	—	1.62
5	All Stocks	129.12	+0.62	128.32	—	2.28
6	Debentures and Loans	102.83	+0.95	101.87	—	1.91
7	Preference	80.31	+2.20	78.58	—	1.81

	AVERAGE GROSS REDEMPTION YIELDS		Tues March 15	Mon March 14	Year ago (approx.)
	British Government				
1	Low	5 years	8.96	9.01	12.30
2	Coupons	15 years	10.10	10.18	12.82
3		25 years	10.10	10.20	12.58
4	Medium	5 years	11.18	11.38	14.06
5	Coupons	15 years	10.94	11.05	13.85
6		25 years	10.46	10.57	13.34
7	High	5 years	11.22	11.41	13.96
8	Coupons	15 years	11.17	11.26	14.02
9		25 years	10.58	10.70	13.51
10	Irredeemables†		9.94	10.07	12.21
11	Debs & Loans	5 years	11.97	12.13	14.65
12		15 years	12.23	12.38	14.65
13		25 years	12.26	12.43	14.65
14	Preference†		12.20	12.47	15.26

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, *The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.*

RISES AND FALLS

	Rises	Falls	Same
British Funds	97	—	1
Foreign Bonds	39	—	38
Industrials	353	160	818
Financial and Prop.	134	60	323
Oils	26	23	61
Plantations	7	5	10
Mines	36	38	78
Others	36	73	54
Totals	728	359	1,383

FINANCIAL TIMES STOCK INDICES

	Mar. 15	Mar. 14	Mar. 11	Mar. 10	Mar. 9	Mar. 8	A year ago
Government Secs.	81.89	81.34	80.76	81.82	80.35	80.39	68.55
Fixed Interest	83.85	83.70	82.42	83.70	81.78	81.67	69.08
Industrial Ord.	678.6	665.8	668.3	670.2	664.9	664.6	552.4
Gold Mines	587.0	591.3	592.6	607.8	584.6	*583.4	221.5
Ord. Div. Yield	4.78	4.83	4.84	4.79	4.83	4.82	5.69
Earnings, Yld.% (full)	10.04	10.14	10.17	10.07	10.15	10.14	10.18
P/E Ratio (net) (*)	12.04	11.92	11.88	12.00	11.91	11.92	12.73
Total bargains	24,818	25,025	25,078	24,083	24,893	26,156	21,431
Equity turnover £m.	—	206.33	346.82	278.13	307.66	252.21	158.41
Equity bargains	—	22,651	21,863	22,526	19,045	21,656	16,849
Shares traded (mil.)	—	185.0	154.2	171.8	125.0	145.6	97.5

10 am 670.4. 11 am 670.2. Noon 671.1. 1 pm 672.3.
2 pm 672.8. 3 pm 673.0.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
Nil=11.25.

HIGHS AND LOWS / S.E. ACTIVITY

	1982/3 High	1982/3 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	85.84 (1/11)	61.89 (21/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.02 (12/11)	62.79 (6/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	678.6 (15/3/83)	518.1 (5/1)	678.6 (15/3/83)	49.4 (26/6/40)
Gold Mines	764.7 (16/2)	181.2 (22/6)	734.7	43.5 (26/10/71)

	Mar. 14	Mar. 11
—Daily		
Gilt Edged Bargains	188.8	176.5
Equities Bargains	148.1	141.7
Value	417.0	498.9
5-day Average		
Gilt Edged Bargains	176.6	175.5
Equities Bargains	159.9	156.9
Value	481.5	484.5

NEW YORK AND CANADA

Indices

NEW YORK—DOW JONES

	Mar 15	Mar 14	Mar 11	Mar 10	Mar 9	Mar 8	1982-83 High	1982-83 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1124.52	1114.45	1117.74	1120.84	1132.64	1119.78	1141.74 (7/3/83)	776.92 (12/8/82)	1141.74 (7/3/83)	41.22 (2/7/32)
Transport	503.82	500.16	503.34	503.1	507.70	502.94	511.12 (4/3/83)	292.12 (12/8/82)	511.12 (4/3/83)	12.23 (8/7/32)
Utilities	127.26	126.88	126.98	127.4	128.0	128.28	129.84 (3/3/83)	103.22 (29/7/82)	163.32 (20/4/69)	10.95 (28/4/42)
Trading vol 1000's†	8241	6189	8858	9523	8425	7941	-	-	-	-

	Mar 11	Mar 4	Feb 25	(Year Ago Approx)
Ind div yield %	4.88	4.78	4.86	6.90

STANDARD AND POORS

	Mar 15	Mar 14	Mar 11	Mar 10	Mar 9	Mar 8	1982-83 High	1982-83 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	169.82	168.28	169.73	170.34	171.6	169.6	172.37 (7/3/83)	114.08 (12/8/82)	172.37 (7/3/83)	3.52 (30/6/32)
Composite	151.37	150.83	151.24	151.8	152.87	151.26	153.87 (4/3/83)	102.42 (12/8/82)	153.67 (4/3/83)	4.4 (1/6/32)

	Mar 9	Mar 2	Feb 23	Year Ago (Approx)
Ind div yield %	4.24	4.22	4.38	6.89
Ind. P/E Ratio	13.11	11.89	11.45	7.37
Long Gov Bond Yield	10.56	10.39	10.69	13.15

N.Y.S.E. ALL COMMON

Mar 15	Mar 14	Mar 11	Mar 10	1982-83 High	1982-83 Low
87.22	86.99	87.12	88.24	88.56 (7/3/83)	58.8 (12/8/82)

RISES AND FALLS

	Mar 15	Mar 14	Mar 11
Issues traded	1906	1985	1887
Rises	784	519	673
Falls	716	979	912
Unchanged	406	487	402

MONTREAL

	Mar 15	Mar 14	Mar 11	Mar 10	1982-83 High	1982-83 Low
Industrials	365.45	343.82	368.2	369.26	368.58 (15/2/83)	249.60 (21/6/82)
Combined	357.11	343.41	358.61	360.03	360.9 (1/3/83)	237.27 (21/6/82)
TORONTO Composite	2148.4	2154.1	2163.8	2160.9	2170.8 (7/3/83)	1355.7 (21/6/82)

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 39

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NEW YORK CLOSING PRICES

Continued from Page 39

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12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	10¼	XTRA		3.0	24	44	22	21⅝	21⅝	+⅛
25¾	17⅞	ZaleCp	1.28	5.4	31	23	23¼	23¼	23¼	−⅛
19½	14½	ZalepfA	.80	4.3		9	19	18¾	18¾	−⅛
21⅞	11⅝	Zapata	.84	5.4	3	892	15⅝	15½	15½	−¼
75	28	Zayre	.60	.8	15	86	72¾	71½	72¼	−¾
18⅞	9¾	ZenithR				697	16⅝	16⅜	16⅝	
32	13½	Zero	s		20	214	u32¼	31½	31¾	
35¾	18½	Zurnin	1.32	3.9	9	194	33½	32¾	33½	+⅛

COMMODITIES AND AGRICULTURE

Chicago trader to pay record fine

By Nancy Dunne in Washington

REFCO, *a large Chicago futures* commission merchant which also trades in London, has agreed to pay the largest fine ever assessed by the Commodity Futures Trading Commission for alleged violation of its rules.

Refco neither admitted nor denied that it had violated speculative position limits for several commodity contracts but it offered to settle the complaint for a total of $525,000 (£347,682).

The CFTC's 20-count complaint alleges violations in connection with the trading of cotton futures contracts and the trading of soyabeans, maize and wheat futures in 1979 and 1980.

● The Chicago Board of Trade is rebounding from last year when trading volume declined. Trading in its agricultural contracts has surged and total volume was up 20 per cent in both January and February.

The board's energy futures challenge to the New York Mercantile Exchange has proved successful, with its regular gasoline contract introduced in December averaging about 1,000 trades a day.

The exchange expects to introduce a crude oil contract in April and contracts in regular leaded gasoline and Gulf coast heating oil later in the year.

The board's effort to offer a stock index contract "mirroring" the Dow Jones average has been tied up in court.

Its experiment in trading an options contract belonging to the Kansas City Board of Trade *on the CBT floor is also faring* poorly. Less than 50 trades were completed in each of the first few days of trading options on Kansas City's value line index.

Renewed warning on EEC farm spending

BY LARRY KLINGER IN BRUSSELS

FURTHER warnings that EEC farm spending could run out of control were sounded in Brussels yesterday, adding to *fears that European Com*munity finances could be exhausted by the end of the year.

Latest European Commission estimates presented to the EEC Council of Agricultural Ministers, meeting here to discuss guaranteed farm price levels for the coming marketing year, suggest that spending for the first four months of the year could already be exceeding budgetary expectations by *£500m.*

Mr Peter Walker, Britain's Agriculture Minister, said that, if spending continued on this scale to subsidise exports and store the EEC's growing surpluses, a supplementary European Community budget of at least £1.24bn would be required.

This alone was ample evidence that Britain's call for *price restraint* was the only sane course to follow, he said.

Herr Josef Ertl, the West German Farm Minister and current chairman of the council, said the Commission's report confirmed that even its proposed 4.4 per cent average farm price rise would require extra finance and that anything above this could exhaust community funds.

The Commission emphasised that its latest figures were based on advance payments and that actual spending could prove to be less, but officials said privately that it was nevertheless clear that "spending was running far beyond what was expected."

Otherwise, however, hopes of substantial progress towards fixing prices for the coming marketing year, due to begin on April 1, faded because of uncertainties posed by the expected re-alignment of currencies within the European Monetary System.

NZ butter agreement

BY LARRY KLINGER

FRANCE yesterday indicated its confidence that the European Commission's revamped subsidy rules for butter exports could open the way for renewed EEC sales to the Soviet Union by withdrawing its objection to Britain's import arrangements for New Zealand butter.

France, supported by Ireland, had been blocking, except on a temporary monthly basis, this year's EEC commitment to import 87,000 tonnes of New Zealand butter at preferential terms. Paris argued that cheap imports made no sense while *the Community, because of* political objections from Britain and West Germany, made subsidised Russian sales of surplus EEC butter unviable.

*The Commission has con*firmed that it is pressing its legal case against France for allegedly dumping agricultural alcohol exports on other EEC markets and agreed to a French demand that it prepare a comprehensive report of EEC milk consumption, including the activities of Britain's milk marketing board.

The Commission earlier this month opened legal proceedings *against France over its pricing* policy for agricultural alcohol used in gin, vodka and vinegars.

Mme Edith Cresson, the French minister, yesterday challenged the fresh-milk monopoly ararngements of Britain's Milk Marketing Board as being in possible violation of EEC rules.

Copper rise reflects steadiness of gold

By Richard Mooney

COPPER VALUES rose on the London Metal Exchange yesterday reflecting the basic steadiness of gold following the conclusion of the Opec pricing negotiations. Cash high grade copper ended the day £14 up at £1,064 a tonne.

Dealers noted, however, that resistance was met as the three months quotation approached the psychologically important £1,100 level. Three months high grade copper ended the day £13.50 up at £1,096.75 a tonne.

Background sentiment continued to be helped by hopes of an improvement in Western economies, they added.

Copper's rise was not followed by lead and zinc. Cash lead ended unchanged at £297.50 a tonne while cash zinc closed *£1.25 down at £454.50 a tonne.*

● PRODUCTION of jutegoods in February declined to 92,540 tons from 103,106 tons in January, according to Indian jute mill figures.

● U.S. SILVER stocks at refiners increased to 3.5m oz at the end of January from 1.7m oz a year earlier, Washington's Silver Institute reported.

● WORLD rice production in 1982/83 is expected to reach *408m tonnes,* up nearly 4m tonnes from last month's forecast and only 5m tonnes below last year's record level, USDA said.

● UK INTERVENTION barley sold for export to third countries rose to a cumulative 532,744 tonnes in the week ended March 11, *following sales* of 103,351 tonnes last week.

● THE International Rubber Organisation buffer stock manager contracted for 260,000 tonnes of natural rubber from his entry into the market in November 1981 until end December 1982.

Revival scheme for Darjeeling gardens

P. C. Mahanti looks at the future of India's quality tea industry

THE INDIAN Tea Board will *soon implement a Rs 400m* (£26.4m) rehabilitation and rejuvenation scheme for the Darjeeling tea industry in West Bengal, which has been dying away due to lack of development in past decades. Mr P. A. Sangma, Deputy Commerce Minister, said the plan will begin to be implemented on April 1.

Darjeeling gardens contribute only 2 per cent of the total Indian tea output but their significance to the tea industry and the country is unique. The tea's quality and flavour that has given it the title of the *champagne of Indian tea;* 85-90 per cent of production is exported.

World demand for Darjeeling is keen and some cunning blenders allegedly sell about 40m kg as Darjeeling tea in world markets although the actual output is only about *11m kg.* The average value per unit of export is consequently high.

The rehabilitation and rejuvenation scheme aims to double output within a decade and low-interest loans will be given to the gardens for new plantations, extensions and rejuvenation of existing bushes. The money will be raised from commercial banks and the National Bank for Agricultural and Rural Development will refinance at 11½ per cent interest. The gardens will pay *only 6½ per cent and interest* subsidy from the tea board will take care of the balance.

The administration committee will be headed by the tea board chairman, with representatives of banks, financial institutions and the industry as members.

The main idea behind the *scheme is to raise productivity* from the gardens to the national level or somewhere close to it.

That alone can ensure the viability of the Darjeeling estates. The yield per hectare in Darjeeling is a mere 635 kg *compared with the national* figure of 1,505 kg per hectare but the cost of producing a kilogram of tea is nearly twice that of the national average.

Most tea bushes are well past their economic life with falling yields. The high altitude of the mountain slopes on which these *gardens are* based adds heavily to transport costs and inputs. generally cost more at the hills than on the plains.

The Darjeeling gardens in their quest for survival have been fighting a losing battle and most of them, according to latest reports, are in the red.

The losses have inevitably led to closures—14 gardens remain *closed out of a total of 90 or so* and more are likely to follow suit unless some immediate fiscal relief is given. Tea garden workers have been agitating for the state to take over estates which have already closed or are faltering. Central Finance Minister Praban Mukherjee is unenthusiastic but it remains to be seen how long he can ward off pressure from trade unions backed by the Marxist ministry here.

State takeover may protect some insecure jobs but cannot really revitalise the industry.

In its heyday 40 years ago, the Darjeeling tea industry had *20,000 hectares. Today it is a* mere 14,400. The scheme is meant to reverse this process. If it succeeds, not only will the charismatic trade name of Darjeeling tea live for a long time but the Indian tea industry as a whole will have a stronger and more appealing selling point.

Weather problems batter Israeli exports

THE SEASON for Israeli horticultural exports to Britain, now almost over, is one of the *worst ever in volume terms.*

A succession of climatic setbacks, culminating in last week's floods, has caused shortages of almost every kind of vegetable on the UK market and losses to Israel estimated at about £20m.

Some Israeli vegetables, including cucumbers and aubergines, have vanished from the market altogether, while others have been delivered in only *fractions of their normal* quantities.

Last year, 20,000 cartons of courgettes were shipped here from Israel. *This year, with 80 per cent of the crop destroyed,* the tally is a mere 400 cartons. Last year 140,000 cartons of Chinese leaves came here; this year 10,000. Deliveries of celery dropped from 12,000 to 8,000 tonnes. The volume of lettuces has halved.

So scarce are tomatoes in Israel itself that they were selling at £7 a 5 kg carton, and the *Government stepped in to stop* exports. For the first time ever, Israel is buying from rival exporters—tomatoes from the Canary Islands and onions from Holland.

The whole country has experienced some of the most freakish weather in memory, with extremes of cold, rain and snow. For the past two months the flow of produce to Britain from there has amounted to less than *a third of the usual quantity.*

Effects of the weather that has wrought such havoc this season will also extend into next *season, which begins on the* British market with melon consignments next month. They are expected to be later this year and deliveries might not equal last season's 20,000 tonnes, though it is thought that quality will not be impaired.

Agrexco, the organisation responsible for exporting all Israeli non-citrus horticultural produce, reports that turnover for this season in Britain is almost equal to last year's—thanks to rocketing prices because of shortages.

About the only unaffected product is avocado pear, which in recent years has broken its own record annually for tonnage delivered to Britain. When the season closes at the end of May, the UK may have absorbed 6,000 tonnes of avocados, double the 1981-82 figure.

Another successful Israel horticultural product, cut *flowers,* some 50m of which last year sold in British shops for around £10m, might not escape so lightly. Lack of sunshine has held back development and shortages are almost certain.

The Israeli Government is preparing to make record relief payments to farmers.

Grain crop forecasts cut

By Our Commodities Staff

THE U.S. Department of Agriculture has cut its forecast of 1982-83 world grain production to 1,255.9m tonnes from *1,257.7m tonnes projected a* month ago. The 1981-82 total is estimated at 1,212.6m tonnes.

In its world grain situation report, the department said the most significant change during the past month had been a 1m tonne reduction to 4m tonnes for Indian wheat imports. This contributed to a cut in its total grain trade projection of 2.5m tonnes to 190m tonnes.

But it raised its projection *for Bangladesh 1982-83 wheat* imports by 800,000 tonnes to 1.9m tonnes.

The USDA said winter wheat prospects in the Soviet Union were still less favourable than at this time last year. This was due to lower plantings and dry autumn sowing conditions.

PRICE CHANGES

In tonnes unless stated otherwise	Mar. 15 1983	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£816/815
Free Mkt	$1525/1555	......	$1245/275
Copper			
Cash h grade	£1064	+14	£1089
3 mths	£1096.75	+15.5	£1121.75
Cash Cathode	£1046.25	+14.3	£1071.75
3 months	£1077	+15.5	£1099
Gold troy oz	$432.5	+5	$507.5
Lead Cash	£297.5		£301.25
3 months	£309.25	—0.25	£313.75
Nickel	£4611	......	£4384
Free mkt	225/255c	......	200/250c
Palladium	$101.00	+1.25	$126.75
Platinum	£274.55	—0.15	£311.15
Quicksilvert	$550/540	......	$335/345
Silver troy oz	743.30p	+17.15	947.55p
3 mths	761.90p	+16.95	971.90p
Tin cash	£9012.5	+13.5	£8505
3 month	£9030.5	+10	£8490
Tungsten	$77.97	......	$78.78
Wolfam 22.04 lb	$86/88	......	$80/85
Zinc Cash	£454.5	—1.25	£442.75
3 mths	£470.25	—1.5	£458.25
Producers	$750	......	$750/800

	Mar. 15 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$485.0y	+5	$465
Groundnut	‡	......	$450
Linseed Crude	‡	......	£310
Palm Malayan	$375x	—2.5	$380
Seeds			
Copra Philip	$320y	......	$310
Soyabean (U.S.)	$241.3	+2.8	$246
Grains			
Barley Fut. May	£120.90	+0.70	£119.30
Maize	£148.50	—0.5	£149.00
Wheat Fut. May	£134.60	+1.40	£131.10
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1562.5	......	£1336
Fut. May	£1515.5	—2	£1306.5
Coffee Ft. May	£1748	—8	£1659.5
Cotton A. Index	77.95c	......	73.90c
Gas Oil Apr.	$238.50	+1.5	$246.5
Rubber (kilo)	75p	......	65p
Sugar (Raw)	£110.00y	+1	£112
Woolt'ps 64s	405p kilo	......	402p kilo

‡ Unquoted. x April. y March-April. † Per 76-lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.40-28.56	—0.15
Iranian Light	26.50-27.25	—
Arabian Heavy	26.20-26.48	—0.08
North Sea (Forties)	28.30-28.56	+0.45
North Sea (Brent)	28.50	+0.48
African Bonny L'ht	27.40-28.00	—0.38
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	272-276	+ 3.0
Gas oil	235-244	+ 3.0
Heavy fuel oil	157-159	+ 1.0

GAS OIL FUTURES

After opening around $4.00-$6.00 higher, the market slipped back in thinning volume through the morning. *Later in the day, prices fell further in* line with New York and a softer physical market to close on the lows, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
March	236.00	+0.25	240.00-38.00
April	233.50	+1.50	238.00-33.00
May	229.25	—0.75	233.75-28.50
June	226.00	—0.50	230.00-26.00
July	225.25	—0.25	230.00-25.25
Aug	227.50	+0.50	231.50-27.50
Sept	229.50	—	233.00-29.50
Oct	231.00	+1.00	234.50-31.00
Nov	235.50	+4.50	235.50-35.50

Turnover: 2,949 (4,261) lots of 100 tonnes.

GOLD MARKETS

Gold closed $5 higher on the London bullion market at $432-$433, the lowest level of the day. It opened at $437-438, and touched a peak of $439-440. The metal was fixed at $436.50 in the morning, and $434.50 in the afternoon.

In Paris the 12½ kilo bar was fixed at the equivalent of FFr *96,500 per kilo ($446.11 per* ounce) in the afternoon, compared with FFr 96,500 ($447.98) in the morning, and FFr 97,000 ($438.77) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,450 per kilo ($438 per ounce), against DM 33,330 ($432.99) previously, and closed at $434½-436, compared with $428½-429½.

In Zurich gold finished at $432½-433½, against $428-429.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
March	431.10-31.5	+3.30	—
April	432.00-32.4	+2.45	439.50-31.8
May	434.50-35.5	+2.50	—
June	438.00-38.8	+2.90	445.50-39.0
July	442.00-42.7	+2.85	446.00
August	445.00-45.8	+2.55	449.50
Sept	448.50-49.5	+5.05	—

Turnover: 880 (798) lots of 100 troy ounces.

	Mar. 15		Mar. 14	
Gold Bullion (fine ounce)				
Close	$432-433	(£285¼-286¼)	$427-428	(£283¼-284)
Opening	$437-438	(£288-288¾)	$428-429	(£284¼-285½)
Morning fixing	$436.50	(£288.176)	$431¾	(£286.401)
Afternoon fixing	$434.50	(£286.865)	$428½	(£284.161)

Gold Coins Mar. 14					
Krugrnd	$444½-445½	(£293½-294¼)	King Sov	$104-106	(£68½-70)
½ Krg	$228¾-229¾	(£151-151¾)	Victoria Sov	$104-106	(£68½-70)
¼ Krg	$116½-117½	(£77-77½)	French 20s	$86.2-93.8	(£57-62)
1/10 Krug	$47½-48½	(£31¼-32)	50 pesos Mex	$518.7-529.5	(£343½-349½)
Mapleleaf	$438½-440½	(£289½-291)	100 Cor. Aust	$420.8-426.2	(£277⅞-281½)
New Sov	$101½-102½	(£67-67⅝)	$20 Eagles	$570-590	(£376½-389½)
½ New Sov	$60-62	(£39⅝-41)			

EUROPEAN MARKETS

ROTTERDAM, March 15.

Wheat — (U.S.$ per tonne). U.S. No. Two Red Winter April 154, May 155, June 148, July 148. U.S. No. Three Amber Durum April/May 174, June 174, July 175, August 176. U.S. No. Two Northern Spring 14 per cent April 171, May 170, June 170, July 171, August 172. Canadian Western Red Spring April/May 187.50, July 189.

Maize—(U.S. $ per tonne). U.S. No Three Yellow Afloat 134, Mar 133, Apr 133, May 134.50, June 135, July-Sep 136, Oct-Dec 132.50, Jan-Mar 138 sellers.

SOYABEANS—(US$ per tonne). U.S. Two Yellow Gulfports Mar 236.30, Apr 236.40, May 237.80, June 240.20, July 242.40, Aug 244.50, Sep 247, Oct 246.40, Nov 245.40, Dec 249.50, Jan 254.25, Feb 258 sellers.

Soyameal (U.S. $ per tonne). 44 per cent afloat *207 traded. Afloat 208,* Mar 207, Apr 208, May 210, Apr-Sep 211, Nov-Mar 229 sellers. Pellets Brazil Mar 217, traded, Mar 218, Apr 217, May 215, Apr-Sep 217, May-Sept 217.50 sellers.

PARIS, March 15.

Cocoa—(FFr per 100 kg): Mar 1380-1410, May 1451.50-1454, July 1455 bid, Sep 1514-1525, Dec 1510-1515, Mar 1520 bid, May 1535 bid. Sales at call 9.

Sugar—(FFr per tonne): May 1571-1572, July 1625-1645, Aug 1652-1661, Oct 1681-1685, Nov 1680-1690, Dec 1745-1760, Mar 1840-1860, May 1895-1920. Sales at call: 16.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER prices gained ground on the *London Metal Exchange as fresh* buying, despite the rise in sterling, prompted stop-loss buying: three months material moved up from around £1080 to £1097.5 at the close. Lack of interest left LEAD at £308.5 and ZINC at £466.5 while ALUMINIUM was finally £881.5, after £872. NICKEL closed at £3375, after touching £3480 in initial pre market trading. Buffer stock support boosted TIN to £9050 before profit-taking and hedge selling pared the price to £9032.5 at the close.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1059.5-60	+7	1063.5-4.5	+14
3 months	1092.5-3.5	+7.75	1096.5-7	+15.5
Settlem't	1060	+7	—	......
Cathodes				
Cash	1042-3	+8	1045.5-7	+14.7
3 months	1073-4	+9	1076.5-7.5	+15.5
Settlem't	1043	+8	—	......
U.S. Prod.	—	......	*79-83	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1060, 59.50, three months £1091, 90.50, 90, 91, 93, 92.50, 92, 92.50, 939. Cathodes: Three months £1073. Kerb: Higher Grade: Three months £1093, 93.50, 94, 93.50. Afternoon: Higher Grade: Three months £1099, 1100, 1100.50, 1100, 1099.50, 97, 96, 95.50, 96, 96.50, 97. Cathodes: Three months £1077. Kerb: Higher Grade: Three months £1095, 96, 95.50, 96, 97, 98, 97.50. Turnover 333,250 tonnes.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9050-1	+75	9010-5	+13.5
3 months	9042.5	+55	9030-1	+10
Settlem't	9031	+72	—	......
Standard				
Cash	9028-30	+70	9010-1	+13.5
3 months	9040-5	+55	9030-1	+18
Settlem't	9030	+78	—	......
Straits E.	$30.36	+0.26	—	......
New York				

Tin—Morning: Standard: Cash £9025, three months £9035, 40, 45. Kerb: Standard: Three months £9045, 48. Afternoon: Standard: Three months *£9040, 35, 34, 31, 30. Standard: Kerb:* Three months £9033, 31, 30, 31. Turnover 2,730 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	298.5-9	—1.5	297-8	......
3 months	310-.5	—1.5	309-.5	—.25
Settlem't	299	—1.5	—	......
U.S. Spot	—	......	—	......

Lead—Morning: Cash £299, three months £311, 11.50, 11, 10.50. Kerb: Three months £310.50. Afternoon: Three months £310.50, 10, 09.50, 09. Kerb: Three months £308. Turnover 8,350 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	456-.5	—.5	454-5	—1.25
3 months	470.5-1.5	—.75	470-.5	—1.5
Settlem't	456.5	+.5	—	......
Primw'ts	—	......	*40-.75	......

Zinc—Morning: Three months £470, 70.50, 71. Kerb: Three months £471.50. Afternoon: Three months £472, 72.50, 71, 70.50, 70. *Kerb: Three months* £470, 69, 67, 68. Turnover 11,775 tonnes.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	849-.5	—16.7	851-2	—10.5
3 months	875-.5	—19	878-9	—12

Aluminium—Morning: Cash £849.50, three months £873, 72, 73, 74, 75, 74.50, 75, 75.50, 75, 76, 76.50, 77, 76.50, 75. Kerb: Three months £877, 77.50, 78, 77.50. Afternoon: Three months £881, 82, 81.50, 81, 80, 79.50, 79, 78. Kerb: Three months £878, 79, 80, 81, 82. Turnover 23,100 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3355-60	—	3290-300	—52
3 months	3450-5	+17.5	3365-75	—45

Nickel—Morning: Three months £3470, 60, 50, 60, 45, 35, 30, 25, 30. Kerb: *Three months £3435, 30, 35, 25, 20.* Afternoon: Three months £3425, 30, 25, 10, 05, 3400, 3390, 80, 65, 70, 80. Kerb: Three months £3390, 85, 95, 70, 80. Turnover 2,202 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

WEEKLY METALS

COCOA

COFFEE

A lack of follow-through buying after a steadier opening prompted a technical retracement in moderate volume, reports Drexel Burnham Lambert. Afternoon dealings fared little better, while self trades of almost 1,000 lots inflated the final turnover.

GRAINS

SUGAR

POTATOES

RUBBER

SOYABEAN MEAL

around unchanged. Closing prices and business done (U.S.$ per tonne): April 395.00-99.00, 398.00 only: June 408.00-10.00, untraded: Aug 408.00-10.00, untraded: Oct 421.00-24.00, untraded: Dec 434.00-38.00, untraded: Feb 443.00-54.00, untraded: Oct 454.00-68.00, untraded.

INDICES

WOOL FUTURES

COTTON

MEAT/FISH

AMERICAN MARKETS

NEW YORK

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	122.52	123.26	122.26	123.58
May	121.49	123.00	121.42	123.41

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	1105.7	1136.0	1104.0	1142.0
April	1109.0	1131.0	1120.0	1145.0
May	1118.0	1152.0	1112.0	1154.0
July	1136.0	1169.0	1130.0	1171.7

CHICAGO

Ireland has 1.92m cows

IRISH cow numbers rose 2.8 per cent last year to 1.92m head, according to figures released by the Republic's Central Statistics Office, writes Richard Mooney.

The rise was entirely due to an increase in the dairy herd and the beef cow herd was actually slightly down from 1981. The number of potentially marketable cattle (two years old and over) was down by 51,000 head or 5.3 per cent.

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BRITISH FUNDS

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Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

High 1982/83	Low	Stock	Price £	+ or −	Int.	Red. Yield
98⅞	85¼	Aust. 6pc 1981-83	98	+¼	6 23	11.52
83¾	57	N.Z. 7¼pc 1988-92	75¼	+¼	9 76	11.88
93½	74¾	Do 7½pc '83-86	90¼		8 44	11.67
167	136	S. Rhod. 2½pc Non-Ass	162		—	
80	58	Do 3½pc 80-85 Ass'd	76xd		4 61	15 48
55	32	Do 4½pc 87-92 Ass'd	46		10 31	17 00
402	318	Zimbabwe Ann (£100pd)	327xd		—	19 20

LOANS

Public Board and Ind.

High	Low	Stock	Price £	+ or −	Int.	Red. Yield
77½	57¾	Agric. Mt. 5pc '59-89	76¼	+¼	6 60	10.33
30	24¼	Met. Wtr. 3pc 'B'	33¾	+¼	9 05	11 61

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

High 1982/83	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
282	182	ANZ $A1	195		028c	3.1	8.2	3.9
315	205	Alexanders D. £1	288	+2	20 0	—	9.9	—
£90½	£48	Algemene Fl 100	£90	+½	026%	ɸ	7.2	ɸ
114	75	Allied Irish	114		045 3%	4.8	9.1	3 5
164	77	Arbuthnot (H) 50p	77	−2	3 5	—	6 5	—
290	200	Bk. Ireland £1	290		029 4%	—	9.2	—
3½	2	Bank Leumi	2½		—	—	—	—
227	130	Bk. Leumi (UK) £1	165xd		10 15	—	8.8	—

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

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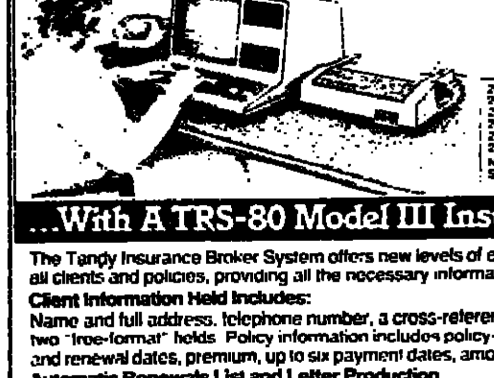

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INDUSTRIALS—Continued

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
64	15½	Inter-City 20p	37½	−1½	—	—	—	—
197	158	[illegible]	176		u4.0	1.8	3.3	24.4
210	145	Jackson, Bourne	180		5.0	3.1	4.0	11.7
32	19	James Inds. 10p	26	+1	1.25	1.9	6.9	10.9
180	105	♥Jardine M HK$5	146	−2	Q92c	2.3	6.1	7.1
*68	13	Jenks & Cattell	30	+1	†1.0	—	4.8	—
308	187	Johnson Clnrs	308	+1	♦7.7	2.3	3.6	17.1
340	227	Johnson Mthy £1	328	+3	10.0	1.9	4.4	(14.3)
286	98	Johnston Grp 10p	286		4.0	6.2	2.0	11.4
102	64	Jourdan (T.) 10p	100		5.6	♦	8.3	♦
48	35	Kalamazoo 10p	41		2.5	0.9	9.0	17.7
212	135	Kelsey Inds.	210	+5	8.0	1.7	5.4	14.5
310	110	Kershaw (A.) 5p	130	−5	15.0	0.6	16.5	(9.6)
55	36	Kleen-E-Ze Hldgs.	48		t3.0	0.2	8.9	—
*66½	42½	L.C.P. Hlds.	64	+1	3.6	0.6	8.0	[illegible]
119	39½	L.R.C. Int. 10p	119	+2	t3.1	2.0	3.7	20.1
24	16	Lamont Hldgs. 10p	23		1.2	1.8	8.0	8.1
46	26	Lawtex	27		—	—	—	—
440	277	Lep Group 10p	405	+5	17.5	1.7	6.2	(11.8)
37	22	Lilleshall 10p	25	+1	‡2.5	—	‡	—
700	39	Lon. & Liv. 10p	410	−20	†2.45	2.4	0.9	59.7
117	78	London & Midl'd	117		7.75	1.1	9.5	(14.0)
63	36	Lon. & Nthn. Grp.	62		†3.75	2.1	8.6	6.6
43	23	♣Lon. Priv. Health	37	+½	—	—	—	18.5
10	3½	Long Hmbly 10p	7½		—	—	—	—
65	36	Longton Inds.	47		1.0	—	3.0	—
195	55	Low & Bonar 50p	78	−2	†7.0	0.6	12.8	(26.4)
27½	14	M.Y. Dart. 10p	19½	−1	‡h1.21	—	‡	—
242	105	M'c'rthy Pk. 20p	153		7.0	2.5	6.5	7.6
146	48	Macfarlane Gp.	146		†h3.2	2.5	3.1	16.6
49	28	Maclellan 20p	46		d1.43	1.4	4.4	(20.2)
86	40	Macpherson (D.)	58		4.2	0.6	10.3	(34.2)
62	41	Magnolia Group	51		2.3	3.9	6.4	5.2
152	57	Man. Ship Can. £1	152	+7	3.5	6.8	3.4	4.6
73	35	Marley	73xd	+3	2.5	♦	4.9	♦
51	29	Marling Ind. 10p	37		1.08	6.7	4.2	3.8
49	25	Marshall L'xy. 'A'	25		2.8	1.9	16.0	(4.0)
88	44	Marshall's Univ	52	−2	0.1	—	0.3	—
37	21½	Martin-Black	24	+½	—	—	—	—
£143	£97	♥Mathesons 7¾%	£125	+8	Q7¾%	2.3	f6.7	—
196	132	Metal Box £1	196	+2	11.55	1.2	8.4	(13.5)
138	106	Metal Closures	131		5.7	2.6	6.2	7.0
21	8½	Metanec Jentique	10	+½	‡0.5	—	‡	—
*47½	3½	Mettoy	24	−1	—	—	—	—
42	4	Do. Defd.	21	−2	—	—	—	—
86	60	♣Midland Mars Grp.	82		d4.0	2.1	7.0	9.8
59	17	Moben Grp 1p	52		0.19	♦	0.5	♦
£202	£103	M'santo 5pc 82-6	£199	−3	Q5%	—	f2.5	—
129	75	Morgan Crucible	96		7.5	1.2	11.2	(8.5)
62	44	Moss (Robt.) 10p	56		†1.8	2.4	4.6	11.1

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

INSURANCES

LEISURE

MINES—Continued

Central African

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
300	75	Falcon Rh 50c.	250		Q25c	10.3	7.0
33	17	Wankie Col. Z$1	37		tQ3c	1.2	12.0
28	12	Zam Cpr. SBD0.24	24		—	—	—

Australians

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
28½	10	♥ACM 20c	17½		—	—	—
28	6	♥Argosy Gold NL 25c	7		♦	—	—
25	13	Balmoral Resources	13		—	—	—
63	42	♥Black Hill Mins	46	+1	—	—	—
151	52	♥Bond Corp	60	−1	‡Q10c	2.3	10.2
154	58	♥Bougainville 1 Kina	138	−1	Q3.42c	♦	1.6
273	147	♥CRA 50c	265	−2	Q3c	—	0.6
154	10	♥Carr Boyd 20c.	82	+2	—	—	—
56	20	♥Central Pacific	20		—	—	—
380	152	♥Crusader Oil	225		—	—	—
26	7	♥Cultus Pac NL	9½		—	—	—
27	7	♥Eagle Corp 10c	7½		—	—	—
23	8½	♥Endeavour 20c	10½		—	—	—

Tins

Miscellaneous

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
135	27	♥Colby Res Corp.	80		—	—	—
485	170	Cons. Murch. 10c.	440	+10	‡Q60c	1.9	‡
8	1½	‡‡Explaura Gold	4		—	—	—
155	55	♥Highwood Res.	125		—	—	—
£40½	£25	Homestake Mining $1	£34½	−½	Q40c	—	0.8
495	160	Northgate C$1	385	−5	—	—	—
552	344	R.T.Z.	523	+3	16.0	1.6	4.4
£122	£84	Do. [illegible]	£120	+1	Q9½%	23.9	f8.1
33	11	♥Sabina Inds C$1	28		—	—	—
17½	12½	♣Southwest Res 10p	15	+1½	—	—	—
530	270	♥Tara Expln $1	455		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	49	..
Bertrams	17½	..
Bdg'wtr. Est. 50p	495	..
Craig & Rose £1	£12	..
Finlay Pkg. 5p	36	..
Graig Shp. £1	£19	..
Higsons Brew.	107	..
Holt (Jos) 25p	905	..
I.O.M. Stm. £1	88	..
Pearce (C. H.)	£13½	..
Peel Hldgs.	172	..

IRISH

Exch. 15pc 1983	£100	..
Nat. 9¾% 84-89	£85⅞	+⅛
Fin. 13% 97/02	£92½	−⅞
Alliance Gas	106	..
Arnott	195	+5
Carroll (P.J.)	93	+2
Concrete Prods.	47	..
Heiton (Hldgs.)	22	..
Ins. Corpn. Ireland	340	..
Irish Ropes	28	..
Jacob	68	..
T M G	85	..
Unidare	42	..

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	15	House of Fraser	15	Utd. Drapers	7
BOC Grp	17	I.C.I.	24	Vickers	12
B.S.R.	6	"Imps"	10	Woolworth Hld.	15
Babcock	10	I.C.L.	8	**Property**	
Barclays Bank	35	Ladbroke	16	Brit. Land	7½
Beecham	35	Legal & Gen.	28	Cap. Counties	12
Blue Circle	44	Lex Service	16	Land Secs	26
Boots	22	Lloyds Bank	35	MEPC	17
Bowaters	19	"Lots"	4	Peachey	14
Brit. Aerospace	20	London Brick	11	Samuel Props.	10
B.A.T.	50	Lucas Inds.	12	Town & City	3
Brown (J.)	4	"Mams"	12	**Oils**	
Burton Ord.	24	Mks. & Spncr.	16	Brit. Petroleum	26
Cadburys	11	Midland Bank	30	Burmah Oil	12
Courtaulds	8	N.E.I.	9	Charterhall	5
Debenhams	8½	Nat. West. Bank	38	KCA	8
Distillers	20	P & O Dfd.	14	Premier	4
Dunlop	5½	Plessey	50	Shell	35
Eagle Star	30	Racal Elect.	45	Tricentrol	22
F.N.F.C.	4	R.H.M.	6	Ultramar	42
Gen. Accident	30	Rank Org. Ord.	15	**Mines**	
Gen. Electric	24	Reed Intnl.	26	Charter Cons.	20
Glaxo	45	Sears	9	Cons. Gold	40
Grand Met.	25	T.I.	13	Lonrho	8
G.U.S. 'A'	50	Tesco	8	Rio T. Zinc	42
Guardian	35	Thorn EMI	38		
G.K.N.	25	Trust Houses	13		
Hawker Sidd.	30	Turner & Newall	4		
		Unilever	65		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases as oil fears subside

The dollar was a little weaker in places yesterday. This reflected switching into other currencies as the oil price situation became clearer and fears of an immediate EMS realignment lessened slightly. However trading remained rather patchy and nervous.

Sterling improved overall despite a cut in base rates, helped by the recent Opec settlement.

DOLLAR — Trade - weighted index (Bank of England) 119.9 against 122.1 six months ago. The dollar has shown renewed strength as a safe haven for funds during a period of extreme uncertainty about the effects of falling oil prices on other currencies. U.S. interest rates have not fallen as sharply as once expected, partly because of the high level of Federal funding. These factors are tending to outweigh the present trade position and balance of payments deficit.

The dollar closed at DM 2.3870 from DM 2.3815 and SwFr 2.0510 from SwFr 2.0625. Against the yen it slipped to Y237.25 from Y237.50 but improved to FFr 6.75 from FFr 6.7150.

STERLING — Trading range against the dollar in 1982-83 is 1.9265 to 1.5005. Trade weighted index 79.4 against 79.2 at noon and 79.4 at the opening and compared with 79.0 on Monday night and 91.7 six months ago. Sterling has suffered during the long Opec meeting but since a settlement has been reached, it is showing signs of recovering. Now that oil price uncertainty is no longer a prime factor in the market, economic fundamentals may play a greater part, leading to a small sterling appreciation.

Sterling touched a best level of $1.5200 against the dollar but eased to a low of $1.5100 later in the day before improving on late dollar weakness to close at $1.5140-1.5150, a rise of 45 points. Against the D-mark it rose to DM 3.6175 from DM 3.5975 and Y359.5 from Y358.5. It was also stronger against the French franc at FFr 10.22 from FFr 10.1350 but eased against the Swiss franc to SwFr 3.1075 from SwFr 3.1150.

D-MARK — Trading range against the dollar in 1982-83 is 2.4940 to 2.2410. February average 2.4260. Trade-weighted index 130.1 against 125.2 six months ago. A right of centre win in West Germany's general election was largely anticipated by the market and emphasis is now switching to hopes of lower German interest rates and increased strains in the EMS as pressure grows on the weaker members. The D-mark weakened against most other EMS members at the Frankfurt fixing, but rose against the dollar and sterling. The dollar fell to DM 2.3766 from DM 2.3925, and the pound to DM 3.5970 from DM 3.6050. The weakening of the U.S. unit followed a sharp improvement by the weaker members of the EMS, as the French franc remained supported by very high Euro-currency interest rates, and the Belgian franc by foreign exchange regulations.

BELGIAN FRANC — Trading range against the dollar in 1982-1983 is 50.21 to 38.12. February average 47.48. Trade-weighted index 96.4 against 94.7 six months ago. The Belgian franc has improved sharply within the EMS following the introduction of emergency foreign exchange restrictions. After a long period of pressure and heavy support from the Belgian National Bank, the franc has moved to the top of the EMS underlining the determination of the authorities to avoid a devaluation. The Belgian franc continued to improve against its EMS partners yesterday, putting unfamiliar pressure on the system by touching its maximum allowed level against the Irish punt. On Monday the franc also rose to its ceiling against the Danish krone, but the artificial nature of the current improvement is illustrated by the widening differential between the officially controlled convertible rate and free market financial rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9704	43.8353	−2.52	−0.70	±1.5501
Danish Krone ...	8.23400	8.16598	−0.83	+0.99	±1.6430
German D-Mark	2.33379	2.27766	−2.41	−0.59	±1.0888
French Franc ..	6.61387	6.44658	−2.53	−0.71	±1.3940
Dutch Guilder ...	2.57971	2.52662	−2.06	−0.24	±1.5004
Irish Punt.........	0.691011	0.688879	−0.31	+1.51	±1.6691
Italian Lira	1350.27	1348.70	−0.12	+0.76	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

[illegible]

* CS/SDR rate for March 14: N/A.

THE POUND SPOT AND FORWARD

[illegible]

Belgian rate is for convertible francs. Financial franc 49.75-50.00. Six-month forward dollar 0.63-0.58c pm. 12-month 0.85-0.70c pm

THE DOLLAR SPOT AND FORWARD

[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

EXCHANGE CROSS RATES

Mar. 15	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.516	3.618	359.5	10.22	3.108	4.020	2141.	1.853	69.85
U.S. Dollar	0.660	1.	2.389	237.4	6.748	2.052	2.654	1414.	1.224	46.12
Deutschemark	0.276	0.419	1.	99.38	2.825	0.859	1.111	591.8	0.512	19.31
Japanese Yen 1,000	2.782	4.213	10.06	1000.	28.43	8.644	11.18	5955.	5.154	194.3
French Franc 10	0.978	1.482	3.540	351.8	10.	3.041	3.933	2095.	1.813	68.35
Swiss Franc	0.322	0.487	1.164	115.7	3.289	1.	1.294	689.0	0.596	22.48
Dutch Guilder	0.249	0.377	0.900	89.43	2.542	0.773	1.	532.6	0.461	17.38
Italian Lira 1,000	0.467	0.707	1.690	167.9	4.773	1.451	1.878	1000.	0.865	32.62
Canadian Dollar	0.540	0.817	1.952	194.0	5.515	1.677	2.169	1155.	1.	37.70
Belgian Franc 100	1.432	2.168	5.179	514.7	14.63	4.449	5.755	3065.	2.653	100.

MONEY MARKETS

Banks cut base rates to 10½%

UK clearing bank base lending rate 10½ per cent (since March 15 and 16)

Clearing bank base rates were cut to 10½ per cent from 11 per cent yesterday. The move was led by Lloyds Bank in the morning and the Bank of England followed rates down by cutting as much as ½ of a point from its dealing rates. Interest rates were correspondingly lower with three-month interbank money at 10⅞-11 1/16 per cent, compared with 11-11¼ per cent on Monday. Overnight money opened at 11¼-11½ per cent and rose to 11½ per cent before slipping to 11 per cent. Rates touched a low of 9 per cent before finishing at 11 per cent.

The Bank forecast a shortage of around £750m initially although this was later revised, firstly to £700m and then to £600m. Factors affecting the market included bills maturing in official hands and a net take-up of Treasury bills −£422m, and Exchequer transactions −£420m. On the other hand there was a fall in the note circulation of £70m. The Bank gave assistance in the morning of £438m, comprising purchases of £137m of eligible bank bills, £1m in band 1 (up to 14 days) at 10 9/16 per cent, £107m in band 2 (15-33 days) at 10½ per cent, £22m in band 3 (34-63 days) at 10 7/16 per cent and £7m in band 4 (64-84 days) at 10⅜ per cent. It also arranged sale and repurchase agreements on £301m of bills at 10 9/16-10½ per cent, unwinding on March 29.

Further assistance in the afternoon amounted to £174m, making a grand total of £612m. The afternoon help comprised purchases of £8m of eligible bank bills in band 1 at 10 9/16 per cent and in band 2 £14m of local authority bills and £10m of eligible bank bills all at 10½ per cent. In band 3 it bought £7m of local authority bills and £3m of eligible bank bills at 10 7/16 per cent and in band 4 (64-91 days) £36m of Treasury bills and £8m of eligible bank bills (64-84 days) all at 10⅜ per cent. It also arranged sale and repurchase agreements on £88m of bills at 10 9/16 per cent, unwinding on March 29.

LONDON MONEY RATES

Mar. 14 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight..	—	9-11½	—	—	—	10⅛-11⅛	10-11¼	—	—	—
2 days notice .	—	—	11-11½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	11¼-11⅜	—	—	—	—
7 days notice ..	—	11 1/16-11⅛	11⅛	—	—	11⅜	10¾-11	—	—	—
One month	10¾-10 [illegible]	10¾-11⅛	11	11⅛-11	10¾	11⅛	10½	10 [illegible]-10 [illegible]	10 [illegible]-10 [illegible]	11 [illegible]
Two months .	10 [illegible]-10½	10 [illegible]-11	10¾	11⅛-10¾	10¾	11⅛	10¼	10 [illegible]-10½	10 [illegible]	11 [illegible]
Three months .	10 [illegible]-10 [illegible]	10½-10	10¾	10 [illegible]-10½	10 [illegible]	—	10⅛-10¼	10⅛-10 [illegible]	10 [illegible]	10 [illegible]
Six months	10 [illegible]-10 [illegible]	10 [illegible]-10 [illegible]	10⅞	10⅛-9 [illegible]	10⅞	—	—	—	9⅞-9 [illegible]	10½
Nine months ..	10¼-10 [illegible]	10¼-10	10¾	10½-10⅛	10½	—	—	—	—	—
One year . .	10 [illegible]-10 [illegible]	10¼-10 [illegible]	10½	10½-10¼	10½	—	—	—	—	—
Two years .	—	—	10¾	—	—	—	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period February 2 to March 1 1983 (inclusive) 11.391 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11 per cent, four years 11¼ per cent; five years 11½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four month bank bills 10 [illegible]-10⅛ per cent; four months trade bills 10 11/16 per cent.

Approximate selling rate for one month Treasury bills 10 7/16-10 [illegible] per cent; two months 10 [illegible]-10⅜ per cent; and three months 10⅛-10 [illegible] per cent. Approximate selling rate for one month bank bills 10 7/16-10 [illegible] per cent; two months 10 [illegible] per cent; and three months 10 [illegible]-10 [illegible] per cent; trade bills 10 [illegible] per cent; two months 10 [illegible] per cent and three months 10 11/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 11½ per cent from March 1 1983. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7½ per cent.

Treasury Bills: Average tender rate of discount 10.7473 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held one month 11½ per cent; one-three month 11¼ per cent; three-six month 11 per cent; six-12 month 10¾ per cent. Under £100,000 10½ per cent from March 7. Deposits held under Series 3-5 10¾ per cent. The rate for all deposits withdrawn for cash 8½ per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES
(Market closing rates)

[illegible]

FT LONDON INTERBANK FIXING
(11.00 a.m. MARCH 15)

[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

[illegible]

GERMANY

[illegible]

FRANCE

[illegible]

JAPAN

[illegible]

SWITZERLAND

[illegible]

NETHERLANDS

[illegible]

$ CERTIFICATES OF DEPOSIT

[illegible]

LONG TERM EURO $

[illegible]

SDR LINKED DEPOSITS

[illegible]

ECU LINKED DEPOSITS

[illegible]

FINANCIAL FUTURES

Strong undertone

Sterling denominated interest rate contracts opened very firm on the London International Financial Futures Exchange yesterday, but failed to build on the early euphoric mood, although overall sentiment remained bullish. Volume in the gilt pit was particularly encouraging during the first hour or so, but the market tended to run out of steam later in the day. This followed trends in the cash market, where prices touched a peak at mid-morning following the announcement of the base rate cut by Lloyds Bank, but then declined as sterling gave up its early gains on the foreign exchanges. The June long term gilt contract opened £1 1/32 higher at 105-30, and touched a peak of 106-10, before closing £¾ higher at 105-11.

The Opec agreement on prices and production quotas was behind the initial rise in prices on Liffe, but current levels were already discounting a cut in bank base rates, and may require a further reduction in the near future if the present price structure is to be maintained. On the other hand the market is likely to be encouraged by comments from the Chancellor about long term gilt funding, and prices may again recover an upward momentum today. The June three-month sterling deposit began 24 points higher at 90.30 the lowest level of the day, and rose to a best level of 90.45, before closing 27 points up at 90.33.

Eurodollar prices also opened very firm, but failed to hold early gains on continued doubts about the future level of U.S. interest rates. There is little hope of a cut in the Federal Reserve discount rate at present, and the market is also overhung by the Federal funding programme. June opened nine points higher at 90.75, but closed unchanged at 90.66.

LONDON

THREE-MONTH $1m points of 100%

	Close	High	Low	Prev
June	90.66	90.77	90.65	90.66
Sept	90.47	90.57	90.46	90.45
Dec	90.29	90.40	90.30	90.25
March	90.23	90.23	90.23	90.05
June	—	—	—	—

Volume 1,245 (1,413)
Previous day's open int 3,409 (3,335)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

STERLING £25,000 $ per £

[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

[illegible]

Previous day's open int 327 (338)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4252	0.4260	0.4257	0.4227
Sept	0.4275	0.4275	0.4275	0.4253

Volume 97 (14)
Previous day's open int 320 (320)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	76-19	76-21	76-06	76-08
June	75-28	76-00	75-15	75-18
Sept	75-09	75-12	74-28	75-00
Dec	74-27	74-29	74-16	74-17
March	74-14	74-15	74-05	74-04
June	74-03	74-03	73-24	73-25
Sept	73-26	73-26	73-17	73-16
Dec	73-17	73-17	73-09	73-08

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STERLING (IMM) Se per £

[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	67-06	67-06	66-31	66-30
June	66-18	66-25	66-17	66-18
Sept	66-08	66-09	66-08	66-07
Dec	65-30	65-30	65-30	65-29
March	—	—	—	65-21
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

Authorised Units—continued

[illegible]

Insurances—continued

[illegible]

Offshore and Overseas—continued

[illegible]

CONTRACTS AND TENDERS

NIGERIA GAS PIPELINE PROJECT

ESCRAVOS - LAGOS SYSTEM

The Nigerian National Petroleum Corporation (NNPC) has applied for a loan from the World Bank to cover part of the financing of a gas gathering treatment and transmission system to provide gas to various consuming areas west of the Niger. The gas system will comprise:

1. Approximately 134 km of 8"-30" gathering pipelines to the west of Warri lying primarily in swamp land.
2. Field stations, comprising compression (approximately 34,000 hp) and dehydration, west of Warri.
3. A gas treatment plant at Warri to process approximately 600 MMSCFD including an administrative complex and utilities.
4. A 36" diameter transmission line approximately 347 km long from Warri to Egbin, Lagos Lagoon with laterals.
5. A telemetry and telecommunication supervisory control system.
6. Approximately 136 km 8"-30" gathering pipelines to the east and south of Warri including field compression/dehydration stations (4,000 hp).

Competent contractors or joint ventures of not more than three contractors from member countries of the World Bank, Switzerland and Taiwan who can execute on a lump sum turnkey basis the detailed design, supply the materials and equipment and carry out the construction of Items 1, 2 and 3 above can examine the prequalification questionnaire beginning March 24, 1983, at the London offices of NNPC's consultants (Pencol). They may, if they so wish, purchase at the Consultant's offices, the tender documents and prequalification questionnaire upon payment of U.S. Dollars 2,500, which is non-refundable, and made payable to the Nigerian National Petroleum Corporation.

The application for prequalification shall be returned on April 14, 1983 latest and notification of prequalification will be telexed to contractors by May 2, 1983, with a site visit to Nigeria following immediately thereafter for qualified contractors. The bids must be submitted not later than Friday, June 3, 1983 in accordance with the tender instructions.

The prequalification submission should be delivered to:
THE GENERAL MANAGER,
PROJECTS AND ENGINEERING DIVISION,
NIGERIAN NATIONAL PETROLEUM CORPORATION,
FALOMO OFFICE COMPLEX — IKOYI,
LAGOS, NIGERIA.
TELEX: 21609/11 AND 21643-NG

with a copy to Pencol under the same deadline at their offices at:

PENCOL INTERNATIONAL LIMITED,
c/o 20 GROSVENOR PLACE,
LONDON SW1X 7HP.
TELEX: 27515 (PENSPN G).

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTERE DE L'ENSEIGNEMENT ET DE LA RECHERCHE SCIENTIFIQUE
(MINISTRY FOR EDUCATION AND SCIENTIFIC RESEARCH)
DIRECTION DE L'INFRASTRUCTURE ET DE L'EQUIPEMENT UNIVERSITAIRE
(DIRECTORATE FOR UNIVERSITY INFRASTRUCTURE AND EQUIPMENT)
SOUS-DIRECTION DES MARCHES ET CONTRATS
(SUB-DIRECTORATE FOR PURCHASING AND CONTRACTS)
A.P.: 5.611.8.031.00.01

NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR TENDERS
No. 5/83 "SDMC"

A Call for Tenders is being launched with respect to the acquisition of spare parts for the engines of the oceanographic ship "M.S. BENYAHIA," as follows:

Main Engine: GENERAL MOTORS 16 V - 92 N
Auxiliary Engine: GENERAL MOTORS G M 4 - 71 N

The specifications may be obtained from the Siege (head office) of the Ministere de l'Enseignement et de la Recherche Scientifique (Ministry for Education and Scientific Research) Direction de l'Infrastructure et de l'Equipement Universitaire (Directorate for University Infrastructure and Equipment), located at 1 Rue Bachir Attar, Place du 1er Mai, Alger (Algiers).

Offers, together with the prescribed accompanying documentation, should be sent, in a double sealed envelope, to the above-mentioned address.

The outer envelope should bear no data permitting the identification of the Tenderer and should bear, in addition to the address of the Ministry for Education and Scientific Research, the words "A.O.N.I. No. 5/83 'SDMC — acquisition de pieces detachees pour les machines du navire oceanographique 'M.S. BENYAHIA' Soumission a ne pas ouvrir" (A.O.N.I. No. 5/83 "SDMC" — acquisition of spare parts for the engines of the oceanographic ship "M.S. BENYAHIA" — Tender, do not open).

Offers should be accompanied by the fiscal and company documentation specified in Circular No. 21.SGCI — DMP of the Ministry for Commerce.

Offers should be received within 45 days from the date on which the present notice appears in the National Press at the latest.

Tenderers shall remain bound by their offers for a period of one hundred and twenty (120) days with effect from the closing date of this Call for Tenders.

PUBLIC NOTICES

COMPETITION ACT 1980
NOTICE UNDER SECTION 3 (2) (b)
Thames Television Limited

Under Section 3 of the Competition Act 1980 the Director General of Fair Trading is to investigate [illegible]

NORTH BEDFORDSHIRE BOROUGH COUNCIL
£650,000 Bills issued Wednesday, 16 March, 1983, at a rate of 10 [illegible]% to mature 15 June, 1983. Total applications were £2.6m; there were no bills outstanding.

CITY OF WESTMINSTER
London Borough Bills amounting to £209 million were issued on 15 March, 1983, for maturity on 14 June, 1983. Applications totalled £772 million. [illegible]

ART GALLERIES

[illegible]

CLUBS

[illegible]

PERSONAL

FACT
IT DOES NOT CHOOSE ITS VICTIMS
from any particular part of society. It is—
DIABETES
Join us — Help us
Support us
BRITISH DIABETIC ASSOCIATION
10 Queen Anne Street
London W1M 0BD

MOTOR CARS

Are vehicle costs running away with you?

[illegible]

Tel: (07014) 4411
Telex: 86225

[illegible]

CLUBS

[illegible]